

MFS INTERMEDIATE HIGH INCOME FUND

Form N-CSR

February 01, 2013

[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)

500 Boylston Street, Boston, Massachusetts 02116

(Address of principal executive offices) (Zip code)

Susan S. Newton

Massachusetts Financial Services Company

500 Boylston Street

Boston, Massachusetts 02116

(Name and address of agents for service)

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

Date of fiscal year end: November 30

Date of reporting period: November 30, 2012

Table of Contents

ITEM 1. REPORTS TO STOCKHOLDERS.

Table of Contents

ANNUAL REPORT

November 30, 2012

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 and CEO</u>	1
<u>Portfolio composition</u>	2
<u>Management review</u>	4
<u>Performance summary</u>	6
<u>Investment objective, principal investment strategies and risks of the fund</u>	8
<u>Portfolio managers' profiles</u>	10
<u>Dividend reinvestment and cash purchase plan</u>	11
<u>Portfolio of investments</u>	12
<u>Statement of assets and liabilities</u>	28
<u>Statement of operations</u>	29
<u>Statements of changes in net assets</u>	30
<u>Statement of cash flows</u>	31
<u>Financial highlights</u>	32
<u>Notes to financial statements</u>	34
<u>Report of independent registered public accounting firm</u>	45
<u>Results of shareholder meeting</u>	46
<u>Trustees and officers</u>	47
<u>Board review of investment advisory agreement</u>	52
<u>Proxy voting policies and information</u>	56
<u>Quarterly portfolio disclosure</u>	56
<u>Further information</u>	56
<u>Federal tax information</u>	56
<u>MFS® privacy notice</u>	57
<u>Contact information back cover</u>	

NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

Table of Contents

LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholders:

The global market outlook for 2013 is one of cautious optimism. While we are seeing some positive economic trends in the United States, Europe, and China, the overall

environment remains challenging. In the United States, the recent fiscal cliff agreement was received positively by investors, even though it mostly addressed pressing taxation issues and did not resolve additional concerns, including the need for spending cuts and a large-scale reduction of the federal debt. These issues will be front and center again in the spring. Despite the ongoing uncertainty, economic tailwinds are gathering strength as the U.S. housing and job markets are improving and consumer confidence is rising.

Overseas, the debt crisis continues to weigh heavily on eurozone markets, with even Germany long an economic

stalwart experiencing some contraction. These ongoing challenges could be a drag on global market performance this year. In Asia, manufacturing activity has accelerated in emerging markets such as China and India, and we are seeing signs of stabilized loan growth in China, a leading indicator of that country's economic health. In contrast, Japan's economy is contracting sharply under deflationary pressures. Nevertheless, Japanese markets have responded favorably to early actions by the new government, which appears determined to act aggressively, along with the Bank of Japan, to stimulate growth.

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

We remain mindful of the many economic challenges investors face today, and believe it is more important than ever to maintain a long-term view, employ time-tested principles, such as asset allocation and diversification, and work closely with investment advisors to identify and pursue the most suitable opportunities.

Respectfully,

Robert J. Manning

Chairman and Chief Executive Officer

MFS Investment Management®

January 15, 2013

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

Table of Contents**PORTFOLIO COMPOSITION****Portfolio structure (i)****Top five industries (i)**

Energy Independent	10.8%
Broadcasting	7.6%
Medical & Health Technology & Services	7.1%
Utilities Electric Power	5.9%
Automotive	5.7%

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

A	0.3%
BBB	9.9%
BB	42.2%
B	55.7%
CCC	19.2%
CC	0.5%
C	0.1%
Not Rated (o)	0.0%
Non-Fixed Income	2.3%
Cash & Other	(30.2)%

Portfolio facts (i)

Average Duration (d)	5.1
Average Effective Maturity (m)	7.1 yrs.

(a) For all securities other than those specifically described below, ratings are assigned to underlying securities utilizing ratings from Moody's, Fitch, and Standard & Poor's rating agencies and applying the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned. Ratings are shown in the S&P and Fitch scale (e.g., AAA). Securities rated BBB or higher are considered investment grade. All ratings are subject to change. Not Rated includes fixed income securities, including fixed income futures contracts, which have not been rated by any rating agency. Non-Fixed Income includes equity securities (including convertible bonds and equity derivatives) and commodities. Cash & Other includes cash, other assets less liabilities, offsets to derivative positions, and short-term securities. The fund may not hold all of these instruments. The fund is not rated by these agencies.

(d) Duration is a measure of how much a bond's price is likely to fluctuate with general changes in interest rates, e.g., if rates rise 1.00%, a bond with a 5-year duration is likely to lose about 5.00% of its value due to the interest rate move.

Table of Contents

Portfolio Composition continued

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

Percentages are based on net assets as of 11/30/12.

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

Table of Contents

MANAGEMENT REVIEW

Summary of Results

The MFS Intermediate High Income Fund (the fund) is a closed-end fund investing primarily in high income debt instruments.

For the twelve months ended November 30, 2012, shares of the fund provided a total return of 20.77%, at net asset value. This compares with a return of 17.02% for the fund's benchmark, the Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index.

Market Environment

Just prior to the beginning of the reporting period, markets were roiled by several global concerns. These included the aftermath of the U.S. sovereign debt-ceiling debacle, the path of eurozone integration and the scope of its bailout facilities, and the likelihood of a Chinese hard landing. Amidst this turmoil, global equity markets had declined sharply and credit spreads widened. At the same time, global consumer and producer sentiment indicators had fallen precipitously, while highly-rated sovereign bond yields hit multi-decade lows.

During the first half of the period, however, additional liquidity from the U.S. Federal Reserve (Fed), in the form of Operation Twist, and the European Central Bank (ECB), in the form of 3-year, Long Term Refinancing Operations, or LTROs, coupled with healthier global macroeconomic conditions led by moderate but sustained U.S. growth, ushered in improved market dynamics.

During the latter part of the period, market trends were more mixed. Worsening conditions were driven by broadly weaker global macroeconomic indicators, as well as renewed concerns over the eurozone's capacity and determination to address its ongoing crisis. However, broad market sentiment remained relatively resilient, as equity markets generally maintained gains and credit spreads did not indicate deterioration. A new round of monetary easing by the Fed (QE3) and the ECB (rate cut and a new bond purchase facility) towards the end of the period instilled additional confidence in risk markets. Nonetheless, towards the end of the period, weaker equity earnings reports and declining forward guidance caused market sentiment to soften. As we moved toward year end, the fiscal cliff negotiations between the Republicans in the U.S. Congress and President Obama appeared to have been a particular source of market attention.

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 of positive relative performance. Yield curve^(y) positioning in the U.S., particularly our greater exposure to shifts in the middle portion of the yield curve (centered around maturities of 7 years), was another positive factor for the fund's relative results as the yield curve flattened during the reporting period.

A greater exposure to corporate bonds in the *finance* sector contributed to relative results as this market sector turned in strong performance for the period. A greater exposure to BBB^(y) and below rated bonds, which outperformed higher-rated

Table of Contents

Management Review continued

securities during the reporting period, also benefited relative returns. Individual securities that were among the fund's top relative contributors included the debt of insurance firms American International Group and MetLife, Spanish cement manufacturer CEMEX S.A.B. de C.V., financial services firm Royal Bank of Scotland (United Kingdom), and wireless communications products and services provider Sprint Nextel.

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

Security selection hindered relative performance. Individual bond holdings that were among the fund's top relative detractors for the reporting period included the debt of global financial services firm JPMorgan Chase, oil and natural gas property developer ATP Oil & Gas^(h), Brazilian oil and natural gas exploration and production company OGX Petroleo e Gas Participacoes, and financial services company Bank of America.

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 sources for bond quality ratings are 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 11/30/12**

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

Year Ended 11/30/12

	Date	Price
Net Asset Value	11/30/12	\$3.12
	11/30/11	\$2.84
New York Stock Exchange Price	11/30/12	\$3.08
	10/08/12 (high) (t)	\$3.27
	12/19/11 (low) (t)	\$2.86
	11/30/11	\$2.85

Total Returns vs Benchmark

Year Ended 11/30/12

MFS Intermediate High Income Fund at	
New York Stock Exchange Price (r)	18.81%
Net Asset Value (r)	20.77%
Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index (f)	17.02%

(f) Source: FactSet Research Systems Inc.

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

(t) For the period December 1, 2011 through November 30, 2012.

Benchmark Definitions

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. Shareholders do not have the right to cause the fund to repurchase their shares at net asset value.

Table of Contents

Performance Summary continued

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. As a result, the total return that is calculated based on the net asset value and New York Stock Exchange price can be different.

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

Net asset values and performance results 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

INVESTMENT OBJECTIVE, PRINCIPAL

INVESTMENT STRATEGIES AND RISKS

OF THE FUND

Investment Objective

The fund's investment objective is to seek high current income, but may also consider capital appreciation. The fund's objective may be changed without shareholder approval.

Principal Investment Strategies

MFS (Massachusetts Financial Services Company, the fund's investment adviser) normally invests at least 80% of the fund's net assets, including borrowings for investment purposes, in high income debt instruments.

MFS may invest the fund's assets in other types of debt instruments and equity securities.

MFS may invest up to 100% of the fund's assets in less than investment grade quality debt instruments (lower quality debt instruments).

MFS may invest the fund's assets in foreign securities.

The fund's dollar-weighted average effective maturity will normally be between three and ten years. In determining an instrument's 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 call, put, pre-refunding, prepayment or redemption provision, or an adjustable coupon) will cause the instrument to be repaid. Such an earlier date can be substantially shorter than the instrument's stated maturity.

While MFS may use derivatives for any investment purpose, to the extent MFS uses derivatives, MFS expects to use derivatives primarily to increase or decrease exposure to a particular market, segment of the market, or security, to increase or decrease interest rate or currency exposure, or as alternatives to direct investments.

MFS uses a bottom-up investment approach to buying and selling investments for the fund. Investments are selected primarily based on fundamental analysis of individual issuers and/or instruments in light of issuers' financial condition and market, economic, political, and regulatory conditions. Factors considered for debt instruments may include the instrument's credit quality, collateral characteristics and indenture provisions and the issuer's management ability, capital structure, leverage, and ability to meet its current obligations. Factors considered for equity securities may include analysis of an issuer's earnings, cash flows, competitive position, and management ability. Quantitative models that systematically evaluate the structure of a debt instrument and its features or the valuation, price and earnings momentum, earnings quality and other factors of the issuer of an equity security may also be considered.

The fund may use leverage by borrowing up to 33 $\frac{1}{3}$ % of the fund's assets, including borrowings for investment purposes, and investing the proceeds pursuant to its investment strategies. If approved by the fund's Board of Trustees, the fund may use leverage by other methods.

Table of Contents

Investment Objective, Principal Investment Strategies and Risks of the Fund continued

MFS may engage in active and frequent trading in pursuing the fund's principal investment strategies.

In response to market, economic, political, or other conditions, MFS may depart from the fund's principal investment strategies by temporarily investing for defensive purposes.

Principal Risks

The fund may not achieve its objective and/or you could lose money on your investment in the fund.

Investments in debt instruments may decline in value as the result of increases in interest rates, declines in the credit quality of the issuer, borrower, counterparty or underlying collateral or assets and the terms of the instrument, or changes in economic, political, issuer-specific, or other conditions. Certain types of debt instruments can be more sensitive to these factors and therefore more volatile.

Investments in foreign markets can involve greater risk and volatility than U.S. investments because of adverse market, economic, political, regulatory, geopolitical, or other conditions.

Investments in derivatives can be used to take both long and short positions, be highly volatile, result in leverage (which can magnify losses), and involve risks in addition to the risks of the underlying indicator(s) on which the derivative is based, such as counterparty and liquidity risk.

Investments in lower-quality debt instruments can be more volatile and have greater risk of default than higher-quality debt instruments.

Stock markets and investments in individual stock are volatile and can decline significantly in response to issuer, market, economic, political, regulatory, geopolitical, and other conditions.

The market price of common shares of the fund will be based on factors such as the supply and demand for common shares in the market and general market, economic, political or regulatory conditions. Whether shareholders will realize gains or losses upon the sale of common shares of the fund will depend on the market price of common shares at the time of the sale, not on the fund's net asset value. The market price may be lower or higher than the fund's net asset value. Shares of closed-end funds frequently trade at a discount or premium to their net asset value.

Leverage involves investment exposure in an amount exceeding the initial investment. Leverage can cause increased volatility by magnifying gains or losses.

Please see the fund's registration statement for further information regarding these and other risk considerations. A copy of the fund's registration statement on Form N-2 is available on the EDGAR database on the Securities and Exchange Commission's Internet Web site at <http://sec.gov>.

Table of Contents

PORTFOLIO MANAGERS PROFILES

William Adams	Investment Officer of MFS; employed in the investment management area of MFS since 2009. Portfolio Manager of the fund since May 2011.
David Cole	Investment Officer of MFS; employed in the investment management area of MFS since 2004. Portfolio Manager of the fund since June 2007.

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, 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, or by writing to the Plan Agent at P.O. Box 43078, Providence, RI 02940 - 3078.

Table of Contents**PORTFOLIO OF INVESTMENTS**

11/30/12

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

Bonds - 125.3%

Issuer	Shares/Par	Value (\$)
Aerospace - 2.7%		
Bombardier, Inc., 7.5%, 2018 (n)	\$ 405,000	\$ 445,500
Bombardier, Inc., 7.75%, 2020 (n)	135,000	151,538
CPI International, Inc., 8%, 2018	250,000	237,813
Heckler & Koch GmbH, 9.5%, 2018 (z)	EUR 115,000	131,617
Huntington Ingalls Industries, Inc., 7.125%, 2021	\$ 370,000	400,062
Kratos Defense & Security Solutions, Inc., 10%, 2017	390,000	425,100
		\$ 1,791,630
Apparel Manufacturers - 1.5%		
Hanesbrands, Inc., 8%, 2016	\$ 165,000	\$ 183,152
Hanesbrands, Inc., 6.375%, 2020	100,000	109,875
Jones Group, Inc., 6.875%, 2019	240,000	246,600
Levi Strauss & Co., 6.875%, 2022	40,000	41,950
Phillips-Van Heusen Corp., 7.375%, 2020	335,000	374,781
		\$ 956,358
Asset-Backed & Securitized - 0.5%		
Banc of America Commercial Mortgage, Inc., FRN, 6.437%, 2051 (z)	\$ 450,000	\$ 120,785
Citigroup Commercial Mortgage Trust, FRN, 5.887%, 2049	275,000	52,921
G-Force LLC, CDO, A2, 4.83%, 2036 (z)	99,407	100,028
JPMorgan Chase Commercial Mortgage Securities Corp., C, FRN, 6.227%, 2051	155,000	37,357
		\$ 311,091
Automotive - 5.4%		
Accuride Corp., 9.5%, 2018	\$ 335,000	\$ 316,575
Allison Transmission, Inc., 7.125%, 2019 (n)	355,000	378,075
Ford Motor Co., 7.45%, 2031	165,000	207,075
Ford Motor Credit Co. LLC, 8%, 2014	125,000	136,262
Ford Motor Credit Co. LLC, 12%, 2015	960,000	1,178,400
Ford Motor Credit Co. LLC, 8.125%, 2020	100,000	127,086
General Motors Financial Co., Inc., 4.75%, 2017 (n)	75,000	78,059
General Motors Financial Co., Inc., 6.75%, 2018	215,000	242,378
Goodyear Tire & Rubber Co., 8.25%, 2020	45,000	49,275
Goodyear Tire & Rubber Co., 7%, 2022	85,000	90,738
Jaguar Land Rover PLC, 7.75%, 2018 (n)	150,000	164,250
Jaguar Land Rover PLC, 8.125%, 2021 (n)	345,000	377,775
Lear Corp., 8.125%, 2020	171,000	191,092
		\$ 3,537,040

Table of Contents

Portfolio of Investments continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Broadcasting - 7.3%		
Allbritton Communications Co., 8%, 2018	\$ 175,000	\$ 190,312
AMC Networks, Inc., 7.75%, 2021	136,000	154,360
Clear Channel Communications, Inc., 9%, 2021	253,000	223,272
Clear Channel Worldwide Holdings, Inc., 6.5%, 2022 (z)	45,000	44,775
Clear Channel Worldwide Holdings, Inc., 6.5%, 2022 (z)	165,000	165,825
Clear Channel Worldwide Holdings, Inc., A , 7.625%, 2020	10,000	9,650
Clear Channel Worldwide Holdings, Inc., B , 7.625%, 2020	225,000	220,500
Hughes Network Systems LLC, 7.625%, 2021	215,000	239,725
Inmarsat Finance PLC, 7.375%, 2017 (n)	165,000	175,725
Intelsat Bermuda Ltd., 11.25%, 2017	400,000	424,000
Intelsat Bermuda Ltd., 11.5%, 2017 (p)	365,000	387,356
Intelsat Jackson Holdings Ltd., 6.625%, 2022 (n)	155,000	155,000
LBI Media, Inc., 8.5%, 2017 (z)	150,000	37,875
Liberty Media Corp., 8.5%, 2029	250,000	268,750
Liberty Media Corp., 8.25%, 2030	10,000	10,800
Local TV Finance LLC, 9.25%, 2015 (p)(z)	243,809	246,857
Newport Television LLC, 13%, 2017 (n)(p)	173,412	185,551
Nexstar Broadcasting Group, Inc., 8.875%, 2017	80,000	87,400
Nexstar Broadcasting Group, Inc., 6.875%, 2020 (n)	35,000	35,175
Sinclair Broadcast Group, Inc., 9.25%, 2017 (n)	125,000	137,500
Sinclair Broadcast Group, Inc., 8.375%, 2018	40,000	44,600
SIRIUS XM Radio, Inc., 8.75%, 2015 (n)	220,000	249,425
SIRIUS XM Radio, Inc., 7.625%, 2018 (n)	235,000	259,675
SIRIUS XM Radio, Inc., 5.25%, 2022 (n)	35,000	34,913
Starz LLC/Starz Finance Corp., 5%, 2019 (n)	95,000	97,256
Townsquare Radio LLC, 9%, 2019 (z)	100,000	109,000
Univision Communications, Inc., 6.875%, 2019 (n)	280,000	288,400
Univision Communications, Inc., 7.875%, 2020 (n)	150,000	160,125
Univision Communications, Inc., 8.5%, 2021 (n)	135,000	139,050
		\$ 4,782,852
Brokerage & Asset Managers - 0.4%		
E*TRADE Financial Corp., 6.375%, 2019	\$ 265,000	\$ 267,319
Building - 3.2%		
Boise Cascade LLC/Finance Corp., 6.375%, 2020 (n)	\$ 90,000	\$ 91,350
Building Materials Holding Corp., 6.875%, 2018 (n)	240,000	257,400
Building Materials Holding Corp., 7%, 2020 (n)	115,000	125,350
Building Materials Holding Corp., 6.75%, 2021 (n)	100,000	109,500
CEMEX S.A.B. de C.V., 9.25%, 2020	225,000	239,062
HD Supply, Inc., 8.125%, 2019 (n)	115,000	129,663
HD Supply, Inc., 11.5%, 2020 (n)	160,000	174,800
Masonite International Corp., 8.25%, 2021 (n)	230,000	246,100

Table of Contents

Portfolio of Investments continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Building - continued		
Nortek, Inc., 8.5%, 2021	\$ 245,000	\$ 266,438
Roofing Supply Group LLC/Roofing Supply Finance, Inc., 10%, 2020 (n)	80,000	88,400
USG Corp., 6.3%, 2016	214,000	220,420
USG Corp., 7.875%, 2020 (n)	110,000	121,825
		\$ 2,070,308
Business Services - 2.1%		
Ceridian Corp., 12.25%, 2015 (p)	\$ 120,000	\$ 117,600
Ceridian Corp., 8.875%, 2019 (n)	65,000	69,550
Fidelity National Information Services, Inc., 7.625%, 2017	80,000	87,200
Fidelity National Information Services, Inc., 5%, 2022	130,000	135,850
iGate Corp., 9%, 2016	319,000	346,912
Iron Mountain, Inc., 8.375%, 2021	220,000	243,100
Legend Acquisition Sub, Inc., 10.75%, 2020 (n)	195,000	185,250
Lender Processing Services, Inc., 5.75%, 2023	105,000	109,594
SunGard Data Systems, Inc., 7.375%, 2018	100,000	106,625
		\$ 1,401,681
Cable TV - 4.2%		
Bresnan Broadband Holdings LLC, 8%, 2018 (n)	\$ 60,000	\$ 64,800
CCO Holdings LLC, 7.875%, 2018	355,000	383,400
CCO Holdings LLC, 8.125%, 2020	455,000	511,875
CCO Holdings LLC, 7.375%, 2020	75,000	83,438
Cequel Communications Holdings, 8.625%, 2017 (n)	185,000	197,487
DISH DBS Corp., 6.75%, 2021	175,000	197,750
EchoStar Corp., 7.125%, 2016	160,000	179,400
ONO Finance II PLC, 10.875%, 2019 (n)	150,000	132,000
Telenet Finance Luxembourg, 6.375%, 2020 (n)	EUR 100,000	136,623
UPC Holding B.V., 9.875%, 2018 (n)	\$ 100,000	111,875
UPCB Finance III Ltd., 6.625%, 2020 (n)	354,000	379,665
Virgin Media Finance PLC, 5.25%, 2022	200,000	210,500
Ziggo Bond Co. B.V., 8%, 2018 (n)	EUR 135,000	193,220
		\$ 2,782,033
Chemicals - 3.2%		
Celanese U.S. Holdings LLC, 6.625%, 2018	\$ 335,000	\$ 367,662
Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, 8.875%, 2018	325,000	328,250
Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, 9%, 2020	60,000	53,250
Huntsman International LLC, 8.625%, 2021	280,000	317,100
INEOS Finance PLC, 8.375%, 2019 (n)	200,000	213,250
INEOS Group Holdings PLC, 8.5%, 2016 (n)	160,000	156,800
LyondellBasell Industries N.V., 6%, 2021	275,000	328,281

Table of Contents

Portfolio of Investments continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Chemicals - continued		
Momentive Performance Materials, Inc., 12.5%, 2014	\$ 205,000	\$ 211,662
Momentive Performance Materials, Inc., 11.5%, 2016	85,000	51,850
Polypore International, Inc., 7.5%, 2017	90,000	97,538
		\$ 2,125,643
Computer Software - 2.0%		
Infor U.S., Inc., 11.5%, 2018	\$ 355,000	\$ 411,800
Nuance Communications, Inc., 5.375%, 2020 (n)	195,000	200,850
Seagate HDD Cayman, 6.875%, 2020	120,000	125,250
Syniverse Holdings, Inc., 9.125%, 2019	295,000	314,912
TransUnion Holding Co., Inc., 9.625%, 2018	100,000	105,500
TransUnion LLC/TransUnion Financing Corp., 11.375%, 2018	150,000	174,000
		\$ 1,332,312
Computer Software - Systems - 1.5%		
Audatex North America, Inc., 6.75%, 2018 (n)	\$ 140,000	\$ 150,150
CDW LLC/CDW Finance Corp., 12.535%, 2017	125,000	133,750
CDW LLC/CDW Finance Corp., 8.5%, 2019	300,000	323,250
DuPont Fabros Technology, Inc., REIT, 8.5%, 2017	350,000	384,125
		\$ 991,275
Conglomerates - 1.5%		
Amsted Industries, Inc., 8.125%, 2018 (n)	\$ 375,000	\$ 399,375
Dynacast International LLC, 9.25%, 2019	200,000	214,000
Griffon Corp., 7.125%, 2018	365,000	386,444
		\$ 999,819
Consumer Products - 1.5%		
Easton-Bell Sports, Inc., 9.75%, 2016	\$ 145,000	\$ 156,239
Elizabeth Arden, Inc., 7.375%, 2021	280,000	311,500
FGI Operating Co./FGI Finance, Inc., 7.875%, 2020 (n)	20,000	21,800
Jarden Corp., 7.5%, 2020	295,000	320,812
Libbey Glass, Inc., 6.875%, 2020 (n)	80,000	85,600
Prestige Brands, Inc., 8.125%, 2020	20,000	22,450
Spectrum Brands Escrow Corp., 6.375%, 2020 (z)	60,000	62,250
Spectrum Brands Escrow Corp., 6.625%, 2022 (z)	15,000	15,713
		\$ 996,364
Consumer Services - 1.4%		
Service Corp. International, 6.75%, 2015	\$ 25,000	\$ 27,625
Service Corp. International, 7%, 2017	785,000	902,750
		\$ 930,375

Table of Contents

Portfolio of Investments continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Containers - 3.1%		
Ardagh Packaging Finance PLC, 7.375%, 2017 (n)	\$ 200,000	\$ 217,750
Ardagh Packaging Finance PLC, 9.125%, 2020 (n)	400,000	430,000
Ball Corp., 5%, 2022	134,000	142,040
Berry Plastics Group, Inc., 9.5%, 2018	65,000	71,175
Greif, Inc., 6.75%, 2017	350,000	386,750
Reynolds Group, 7.125%, 2019	225,000	243,000
Reynolds Group, 9.875%, 2019	100,000	106,000
Reynolds Group, 5.75%, 2020 (n)	130,000	132,925
Reynolds Group, 8.25%, 2021	285,000	282,862
		\$ 2,012,502
Defense Electronics - 0.5%		
Ducommun, Inc., 9.75%, 2018	\$ 186,000	\$ 197,625
MOOG, Inc., 7.25%, 2018	145,000	152,250
		\$ 349,875
Electrical Equipment - 0.3%		
Avaya, Inc., 9.75%, 2015	\$ 205,000	\$ 162,463
Avaya, Inc., 7%, 2019 (n)	45,000	40,388
		\$ 202,851
Electronics - 1.2%		
Freescall Semiconductor, Inc., 9.25%, 2018 (n)	\$ 365,000	\$ 392,831
Nokia Corp., 5.375%, 2019	65,000	58,500
Nokia Corp., 6.625%, 2039	45,000	37,913
Sensata Technologies B.V., 6.5%, 2019 (n)	305,000	321,775
		\$ 811,019
Energy - Independent - 10.6%		
BreitBurn Energy Partners LP, 8.625%, 2020	\$ 85,000	\$ 91,588
BreitBurn Energy Partners LP, 7.875%, 2022 (n)	270,000	277,425
Carrizo Oil & Gas, Inc., 8.625%, 2018	160,000	170,000
Chaparral Energy, Inc., 7.625%, 2022	125,000	128,438
Chesapeake Energy Corp., 6.875%, 2020	155,000	163,525
Concho Resources, Inc., 8.625%, 2017	110,000	119,763
Concho Resources, Inc., 6.5%, 2022	225,000	245,250
Continental Resources, Inc., 8.25%, 2019	180,000	202,500
Denbury Resources, Inc., 8.25%, 2020	270,000	305,100
Energy XXI Gulf Coast, Inc., 9.25%, 2017	295,000	332,612
EP Energy LLC, 9.375%, 2020	595,000	658,962
EPL Oil & Gas, Inc., 8.25%, 2018 (z)	60,000	59,550
EXCO Resources, Inc., 7.5%, 2018	160,000	151,200
Harvest Operations Corp., 6.875%, 2017	345,000	379,500
Hilcorp Energy I/Hilcorp Finance Co., 8%, 2020 (n)	70,000	76,650

Table of Contents

Portfolio of Investments continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Energy - Independent - continued		
Laredo Petroleum, Inc., 9.5%, 2019	\$ 170,000	\$ 190,400
LINN Energy LLC, 6.5%, 2019	100,000	101,500
LINN Energy LLC, 8.625%, 2020	90,000	98,325
LINN Energy LLC, 7.75%, 2021	209,000	220,495
MEG Energy Corp., 6.5%, 2021 (n)	60,000	62,625
Newfield Exploration Co., 6.875%, 2020	235,000	252,919
OGX Petroleo e Gas Participacoes S.A., 8.5%, 2018 (n)	357,000	310,590
Plains Exploration & Production Co., 8.625%, 2019	175,000	195,125
Plains Exploration & Production Co., 6.5%, 2020	90,000	91,800
Plains Exploration & Production Co., 6.75%, 2022	175,000	180,250
QEP Resources, Inc., 6.875%, 2021	410,000	470,475
Range Resources Corp., 8%, 2019	185,000	203,500
Range Resources Corp., 5%, 2022	60,000	62,550
Samson Investment Co., 9.75%, 2020 (n)	185,000	195,637
SandRidge Energy, Inc., 8%, 2018 (n)	425,000	449,437
SM Energy Co., 6.5%, 2021	250,000	263,750
Whiting Petroleum Corp., 6.5%, 2018	215,000	231,662
		\$ 6,943,103
Energy - Integrated - 0.2%		
Pacific Rubiales Energy Corp., 7.25%, 2021 (n)	\$ 100,000	\$ 116,130
Engineering - Construction - 0.3%		
BakerCorp International, Inc., 8.25%, 2019	\$ 185,000	\$ 185,925
Entertainment - 1.7%		
AMC Entertainment, Inc., 8.75%, 2019	\$ 210,000	\$ 231,000
AMC Entertainment, Inc., 9.75%, 2020	210,000	236,250
Cedar Fair LP, 9.125%, 2018	115,000	130,238
Cinemark USA, Inc., 8.625%, 2019	380,000	419,900
NAI Entertainment Holdings LLC, 8.25%, 2017 (n)	81,000	89,505
		\$ 1,106,893
Financial Institutions - 7.4%		
Ally Financial, Inc., 5.5%, 2017	\$ 595,000	\$ 633,675
CIT Group, Inc., 5.25%, 2014 (n)	510,000	527,850
CIT Group, Inc., 5.25%, 2018	225,000	238,781
CIT Group, Inc., 6.625%, 2018 (n)	319,000	357,280
CIT Group, Inc., 5.5%, 2019 (n)	280,000	298,200
Credit Acceptance Corp., 9.125%, 2017	225,000	245,812
GMAC, Inc., 8%, 2031	35,000	44,450
Icahn Enterprises LP, 8%, 2018	363,000	385,687
International Lease Finance Corp., 4.875%, 2015	105,000	107,625

Table of Contents

Portfolio of Investments continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Financial Institutions - continued		
International Lease Finance Corp., 8.625%, 2015	\$ 80,000	\$ 89,100
International Lease Finance Corp., 7.125%, 2018 (n)	246,000	284,745
Nationstar Mortgage LLC/Capital Corp., 10.875%, 2015	425,000	458,469
Nationstar Mortgage LLC/Capital Corp., 7.875%, 2020 (n)	70,000	72,538
PHH Corp., 9.25%, 2016	265,000	308,394
PHH Corp., 7.375%, 2019	70,000	75,950
SLM Corp., 8.45%, 2018	125,000	145,313
SLM Corp., 8%, 2020	460,000	525,550
SLM Corp., 7.25%, 2022	55,000	60,363
		\$ 4,859,782
Food & Beverages - 2.1%		
ARAMARK Corp., 8.5%, 2015	\$ 430,000	\$ 434,842
B&G Foods, Inc., 7.625%, 2018	295,000	317,862
Constellation Brands, Inc., 7.25%, 2016	180,000	207,900
JBS USA LLC/JBS USA Finance, 8.25%, 2020 (n)	110,000	114,125
Pinnacle Foods Finance LLC, 8.25%, 2017	50,000	52,500
TreeHouse Foods, Inc., 7.75%, 2018	215,000	235,425
		\$ 1,362,654
Forest & Paper Products - 1.6%		
Ainsworth Lumber Co. Ltd., 7.5%, 2017 (z)	\$ 25,000	\$ 25,750
Boise, Inc., 8%, 2020	225,000	244,687
Georgia-Pacific Corp., 8%, 2024	19,000	26,887
Graphic Packaging Holding Co., 7.875%, 2018	125,000	138,125
Millar Western Forest Products Ltd., 8.5%, 2021	40,000	35,000
Smurfit Kappa Group PLC, 4.875%, 2018 (n)	200,000	201,500
Smurfit Kappa Group PLC, 7.75%, 2019 (n)	EUR 120,000	172,289
Tembec Industries, Inc., 11.25%, 2018	\$ 95,000	99,988
Xerium Technologies, Inc., 8.875%, 2018	108,000	92,340
		\$ 1,036,566
Gaming & Lodging - 4.9%		
Caesars Operating Escrow LLC, 8.5%, 2020 (n)	\$ 200,000	\$ 196,000
Choice Hotels International, Inc., 5.75%, 2022	40,000	43,800
Fontainebleau Las Vegas Holdings LLC, 10.25%, 2015 (a)(d)(n)	695,000	434
GWR Operating Partnership LLP, 10.875%, 2017	135,000	154,238
Harrah's Operating Co., Inc., 11.25%, 2017	300,000	322,312
Host Hotels & Resorts, Inc., REIT, 5.25%, 2022	100,000	109,750
Isle of Capri Casinos, Inc., 8.875%, 2020	205,000	217,044
MGM Mirage, 10.375%, 2014	40,000	44,700
MGM Mirage, 6.625%, 2015	70,000	74,550
MGM Resorts International, 11.375%, 2018	405,000	480,937
MGM Resorts International, 9%, 2020	170,000	189,125

Table of Contents

Portfolio of Investments continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Gaming & Lodging - continued		
Penn National Gaming, Inc., 8.75%, 2019	\$ 357,000	\$ 407,426
Pinnacle Entertainment, Inc., 8.75%, 2020	85,000	92,650
Rivers Pittsburgh Borrower LP/Rivers Pittsburgh Finance Corp., 9.5%, 2019 (n)	40,000	42,900
Seven Seas Cruises S. DE R.L., 9.125%, 2019	265,000	275,600
Viking Cruises Ltd., 8.5%, 2022 (n)	135,000	143,100
Wyndham Worldwide Corp., 6%, 2016	1,000	1,138
Wyndham Worldwide Corp., 7.375%, 2020	105,000	127,988
Wynn Las Vegas LLC, 7.75%, 2020	245,000	281,137
		\$ 3,204,829
Industrial - 1.5%		
Altra Holdings, Inc., 8.125%, 2016	\$ 103,000	\$ 109,510
Dematic S.A., 8.75%, 2016 (z)	200,000	213,000
Hyva Global B.V., 8.625%, 2016 (n)	200,000	192,000
Mueller Water Products, Inc., 8.75%, 2020	142,000	161,880
Rexel S.A., 6.125%, 2019 (n)	200,000	207,000
SPL Logistics Escrow LLC, 8.875%, 2020 (n)	115,000	123,050
		\$ 1,006,440
Insurance - 2.8%		
American International Group, Inc., 8.25%, 2018	\$ 170,000	\$ 221,121
American International Group, Inc., 8.175% to 2038, FRN to 2068	635,000	793,750
MetLife, Inc., 9.25% to 2038, FRN to 2068 (n)	600,000	828,000
		\$ 1,842,871
Insurance - Health - 0.2%		
AMERIGROUP Corp., 7.5%, 2019	\$ 110,000	\$ 128,700
Insurance - Property & Casualty - 1.4%		
Liberty Mutual Group, Inc., 10.75% to 2038, FRN to 2088 (n)	\$ 330,000	\$ 490,050
XL Group PLC, 6.5% to 2017, FRN to 2049	490,000	443,940
		\$ 933,990
Machinery & Tools - 2.7%		
Case New Holland, Inc., 7.875%, 2017	\$ 525,000	\$ 618,187
CNH America LLC, 7.25%, 2016	90,000	101,250
CNH Capital LLC, 3.875%, 2015 (n)	45,000	46,181
CNH Capital LLC, 6.25%, 2016	65,000	71,013
H&E Equipment Services LLC, 7%, 2022 (n)	160,000	168,800
NESCO LLC/NESCO Holdings Corp., 11.75%, 2017 (n)	240,000	258,300
RSC Equipment Rental, Inc., 8.25%, 2021	240,000	268,800

Table of Contents

Portfolio of Investments continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Machinery & Tools - continued		
UR Financing Escrow Corp., 5.75%, 2018 (n)	\$ 115,000	\$ 123,913
UR Financing Escrow Corp., 7.625%, 2022 (n)	117,000	129,578
		\$ 1,786,022
Major Banks - 1.0%		
Bank of America Corp., 5.65%, 2018	\$ 175,000	\$ 202,773
Royal Bank of Scotland Group PLC, 6.99% to 2017, FRN to 2049 (n)	100,000	92,000
Royal Bank of Scotland Group PLC, 7.648% to 2031, FRN to 2049	365,000	364,087
		\$ 658,860
Medical & Health Technology & Services - 6.9%		
AmSurg Corp., 5.625%, 2020 (z)	\$ 105,000	\$ 106,050
Biomet, Inc., 6.5%, 2020 (n)	210,000	219,450
Davita, Inc., 6.375%, 2018	505,000	540,350
Davita, Inc., 6.625%, 2020	190,000	204,487
Fresenius Medical Care AG & Co. KGaA, 9%, 2015 (n)	165,000	190,162
Fresenius Medical Care Capital Trust III, 5.625%, 2019 (n)	170,000	181,475
HCA, Inc., 8.5%, 2019	595,000	667,887
HCA, Inc., 7.5%, 2022	380,000	432,250
HCA, Inc., 5.875%, 2022	130,000	141,375
HealthSouth Corp., 8.125%, 2020	425,000	467,500
Hologic, Inc., 6.25%, 2020 (n)	70,000	74,375
IASIS Healthcare LLC/IASIS Capital Corp., 8.375%, 2019	310,000	292,950
Physio-Control International, Inc., 9.875%, 2019 (n)	135,000	147,488
Select Medical Corp., 7.625%, 2015	26,000	26,195
Teleflex, Inc., 6.875%, 2019	275,000	296,312
Tenet Healthcare Corp., 9.25%, 2015	140,000	157,850
Tenet Healthcare Corp., 8%, 2020	75,000	80,438
Universal Health Services, Inc., 7%, 2018	130,000	140,400
Universal Hospital Services, Inc., 7.625%, 2020 (n)	185,000	192,400
Vanguard Health Systems, Inc., 0%, 2016	2,000	1,420
		\$ 4,560,814
Metals & Mining - 2.9%		
Arch Coal, Inc., 7.25%, 2020	\$ 135,000	\$ 121,163
Cloud Peak Energy, Inc., 8.25%, 2017	445,000	478,375
Consol Energy, Inc., 8%, 2017	170,000	181,900
Consol Energy, Inc., 8.25%, 2020	150,000	160,125
First Quantum Minerals Ltd., 7.25%, 2019 (n)	200,000	201,000
Fortescue Metals Group Ltd., 8.25%, 2019 (n)	135,000	138,038
Peabody Energy Corp., 7.375%, 2016	350,000	402,500
Peabody Energy Corp., 6%, 2018	110,000	114,950
Peabody Energy Corp., 6.25%, 2021	110,000	114,125
		\$ 1,912,176

Table of Contents

Portfolio of Investments continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Natural Gas - Distribution - 0.7%		
AmeriGas Finance LLC, 6.75%, 2020	\$ 220,000	\$ 239,800
Ferrellgas LP/Ferrellgas Finance Corp., 6.5%, 2021	230,000	223,100
		\$ 462,900
Natural Gas - Pipeline - 3.7%		
Atlas Pipeline Partners LP, 8.75%, 2018	\$ 335,000	\$ 357,612
Colorado Interstate Gas Co., 6.8%, 2015	91,000	105,923
Crosstex Energy, Inc., 8.875%, 2018	270,000	292,950
El Paso Corp., 7%, 2017	185,000	211,452
El Paso Corp., 7.75%, 2032	395,000	463,457
Energy Transfer Equity LP, 7.5%, 2020	290,000	329,150
Enterprise Products Partners LP, 8.375% to 2016, FRN to 2066	249,000	281,992
Enterprise Products Partners LP, 7.034% to 2018, FRN to 2068	67,000	75,543
Inergy Midstream LP, 6%, 2020 (z)	75,000	76,313
MarkWest Energy Partners LP, 5.5%, 2023	170,000	178,925
Rockies Express Pipeline LLC, 5.625%, 2020 (n)	88,000	85,360
		\$ 2,458,677
Network & Telecom - 2.4%		
Centurylink, Inc., 7.65%, 2042	\$ 175,000	\$ 182,550
Citizens Communications Co., 9%, 2031	110,000	116,875
Eileme 2 AB, 11.625%, 2020 (n)	200,000	229,000
Frontier Communications Corp., 8.125%, 2018	225,000	255,937
Qwest Communications International, Inc., 7.125%, 2018 (n)	315,000	331,291
Qwest Corp., 7.5%, 2014	145,000	159,332
TW Telecom Holdings, Inc., 5.375%, 2022 (n)	85,000	87,975
Windstream Corp., 8.125%, 2018	45,000	48,825
Windstream Corp., 7.75%, 2020	135,000	142,425
		\$ 1,554,210
Oil Services - 1.6%		
Bristow Group, Inc., 6.25%, 2022	\$ 80,000	\$ 84,800
Chesapeake Energy Corp., 6.625%, 2019 (n)	85,000	79,900
Dresser-Rand Group, Inc., 6.5%, 2021	80,000	84,000
Edgen Murray Corp., 8.75%, 2020 (n)	230,000	230,000
Pioneer Energy Services Corp., 9.875%, 2018	130,000	140,725
Shale-Inland Holdings LLC/Finance Co., 8.75%, 2019 (n)	150,000	151,500
Unit Corp., 6.625%, 2021 (n)	85,000	86,488
Unit Corp., 6.625%, 2021	215,000	218,762
		\$ 1,076,175
Other Banks & Diversified Financials - 2.1%		
Capital One Financial Corp., 10.25%, 2039	\$ 445,000	\$ 447,225
Groupe BPCE S.A., 12.5% to 2019, FRN to 2049 (n)	125,000	143,403

Table of Contents

Portfolio of Investments continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Other Banks & Diversified Financials - continued		
LBG Capital No. 1 PLC, 7.875%, 2020 (n)	\$ 210,000	\$ 222,075
Santander UK PLC, 8.963% to 2030, FRN to 2049	478,000	532,970
		\$ 1,345,673
Pharmaceuticals - 1.0%		
Capsugel FinanceCo. SCA, 9.875%, 2019 (n)	EUR 200,000	\$ 293,924
Valeant Pharmaceuticals International, Inc., 7%, 2020 (n)	\$ 250,000	271,875
Valeant Pharmaceuticals International, Inc., 7.25%, 2022 (n)	105,000	114,581
		\$ 680,380
Pollution Control - 0.3%		
Heckmann Corp., 9.875%, 2018	\$ 130,000	\$ 132,275
Rough Rider Escrow, Inc., 9.875%, 2018 (n)	45,000	45,450
		\$ 177,725
Precious Metals & Minerals - 0.3%		
IAMGOLD Corp., 6.75%, 2020 (n)	\$ 174,000	\$ 170,520
Printing & Publishing - 0.5%		
American Media, Inc., 13.5%, 2018 (z)	\$ 28,207	\$ 24,540
Nielsen Finance LLC, 7.75%, 2018	165,000	183,975
Nielsen Finance LLC, 4.5%, 2020 (n)	105,000	104,738
		\$ 313,253
Railroad & Shipping - 0.2%		
Kansas City Southern de Mexico S.A. de C.V., 6.125%, 2021	\$ 90,000	\$ 101,250
Real Estate - 1.4%		
CB Richard Ellis Group, Inc., 11.625%, 2017	\$ 180,000	\$ 198,675
CNL Lifestyle Properties, Inc., REIT, 7.25%, 2019	80,000	76,800
Entertainment Properties Trust, REIT, 7.75%, 2020	200,000	232,989
Entertainment Properties Trust, REIT, 5.75%, 2022	50,000	52,771
Kennedy Wilson, Inc., 8.75%, 2019	75,000	80,063
MPT Operating Partnership LP, REIT, 6.875%, 2021	150,000	162,750
MPT Operating Partnership LP, REIT, 6.375%, 2022	130,000	135,850
		\$ 939,898
Retailers - 3.3%		
Academy Ltd., 9.25%, 2019 (n)	\$ 95,000	\$ 104,738
Burlington Coat Factory Warehouse Corp., 10%, 2019	210,000	229,950
J. Crew Group, Inc., 8.125%, 2019	190,000	199,500
Limited Brands, Inc., 6.9%, 2017	125,000	144,063
Limited Brands, Inc., 6.95%, 2033	175,000	176,312
Pantry, Inc., 8.375%, 2020 (n)	100,000	103,250

Table of Contents*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Retailers - continued		
QVC, Inc., 7.375%, 2020 (n)	\$ 125,000	\$ 138,575
Rite Aid Corp., 9.25%, 2020	185,000	188,700
Sally Beauty Holdings, Inc., 6.875%, 2019	110,000	122,375
Toys R Us Property Co. II LLC, 8.5%, 2017	330,000	352,275
Toys R Us, Inc., 10.75%, 2017	280,000	305,200
Yankee Acquisition Corp., 8.5%, 2015	2,000	2,015
YCC Holdings LLC/Yankee Finance, Inc., 10.25%, 2016 (p)	90,000	93,150
		\$ 2,160,103
Specialty Chemicals - 0.1%		
Koppers, Inc., 7.875%, 2019	\$ 70,000	\$ 76,913
Specialty Stores - 0.5%		
Gymboree Corp., 9.125%, 2018	\$ 75,000	\$ 68,813
Michaels Stores, Inc., 11.375%, 2016	125,000	130,781
Michaels Stores, Inc., 7.75%, 2018	105,000	113,794
		\$ 313,388
Supermarkets - 0.1%		
SUPERVALU, Inc., 7.5%, 2014	\$ 35,000	\$ 33,075
Telecommunications - Wireless - 5.3%		
Clearwire Corp., 12%, 2015 (n)	\$ 180,000	\$ 189,900
Cricket Communications, Inc., 7.75%, 2016	135,000	142,763
Cricket Communications, Inc., 7.75%, 2020	155,000	160,038
Crown Castle International Corp., 9%, 2015	215,000	228,169
Crown Castle International Corp., 7.125%, 2019	345,000	380,362
Digicel Group Ltd., 8.25%, 2017 (n)	235,000	252,037
Digicel Group Ltd., 10.5%, 2018 (n)	100,000	110,000
MetroPCS Wireless, Inc., 7.875%, 2018	140,000	151,200
Sprint Capital Corp., 6.875%, 2028	185,000	190,550
Sprint Nextel Corp., 6%, 2016	260,000	282,100
Sprint Nextel Corp., 8.375%, 2017	390,000	452,400
Sprint Nextel Corp., 9%, 2018 (n)	100,000	123,250
Sprint Nextel Corp., 6%, 2022	145,000	146,088
Wind Acquisition Finance S.A., 11.75%, 2017 (n)	250,000	255,625
Wind Acquisition Finance S.A., 7.25%, 2018 (n)	410,000	405,900
		\$ 3,470,382
Telephone Services - 0.6%		
Cogent Communications Group, Inc., 8.375%, 2018 (n)	\$ 100,000	\$ 108,500
Level 3 Financing, Inc., 9.375%, 2019	155,000	173,212

Table of Contents

Portfolio of Investments continued

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Telephone Services - continued		
Level 3 Financing, Inc., 7%, 2020 (n)	\$ 45,000	\$ 45,788
Level 3 Financing, Inc., 8.625%, 2020	80,000	87,000
		\$ 414,500
Transportation - 0.2%		
Navios South American Logistics, Inc., 9.25%, 2019	\$ 146,000	\$ 139,430
Transportation - Services - 3.7%		
ACL I Corp., 10.625%, 2016 (p)	\$ 199,604	\$ 193,664
Aguila American Resources Ltd., 7.875%, 2018 (n)	300,000	318,000
Avis Budget Car Rental LLC, 8.25%, 2019	130,000	143,813
Avis Budget Car Rental LLC, 9.75%, 2020	95,000	109,250
CEVA Group PLC, 8.375%, 2017 (n)	290,000	281,300
Commercial Barge Line Co., 12.5%, 2017	355,000	391,398
HDTFS, Inc., 5.875%, 2020 (n)	40,000	41,300
Navios Maritime Acquisition Corp., 8.625%, 2017	260,000	244,400
Navios Maritime Holdings, Inc., 8.875%, 2017	185,000	188,237
Swift Services Holdings, Inc., 10%, 2018	470,000	517,000
		\$ 2,428,362
Utilities - Electric Power - 5.6%		
AES Corp., 8%, 2017	\$ 390,000	\$ 447,525
Atlantic Power Corp., 9%, 2018	9,000	9,450
Calpine Corp., 8%, 2016 (n)	415,000	443,012
Calpine Corp., 7.875%, 2020 (n)	194,000	215,340
Covanta Holding Corp., 7.25%, 2020	220,000	242,374
Covanta Holding Corp., 6.375%, 2022	70,000	75,908
DPL, Inc., 7.25%, 2021	85,000	89,675
EDP Finance B.V., 6%, 2018 (n)	315,000	324,450
Energy Future Holdings Corp., 10%, 2020	200,000	212,500
Energy Future Holdings Corp., 10%, 2020	588,000	655,620
Energy Future Holdings Corp., 11.75%, 2022 (n)	160,000	162,800
GenOn Energy, Inc., 9.875%, 2020	375,000	424,687
NRG Energy, Inc., 8.25%, 2020	280,000	310,800
Texas Competitive Electric Holdings Co. LLC, 11.5%, 2020 (n)	125,000	92,500
		\$ 3,706,641
Total Bonds (Identified Cost, \$78,774,300)		\$ 82,321,557
Preferred Stocks - 0.4%		
Other Banks & Diversified Financials - 0.4%		
Ally Financial, Inc., 7% (z)	100	\$ 97,362
GMAC Capital Trust I, 8.125%	5,675	147,834
Total Preferred Stocks (Identified Cost, \$237,049)		\$ 245,196

Table of Contents*Portfolio of Investments continued***Convertible Bonds - 0.4%**

Issuer	Shares/Par	Value (\$)
Network & Telecom - 0.4%		
Nortel Networks Corp., 2.125%, 2014 (Identified Cost, \$256,638) (a)(d)	\$ 260,000	\$ 261,300

Common Stocks - 0.2%

Automotive - 0.0%		
Accuride Corp. (a)	4,099	\$ 12,584
Broadcasting - 0.1%		
New Young Broadcasting Holding Co., Inc. (a)	17	\$ 58,650
Printing & Publishing - 0.1%		
American Media Operations, Inc. (a)	7,229	\$ 34,338
Total Common Stocks (Identified Cost, \$198,931)		\$ 105,572

Floating Rate Loans (g)(r) - 0.2%

Financial Institutions - 0.1%		
Springleaf Financial Funding Co., Term Loan, 5.5%, 2017	\$ 80,705	\$ 79,579
Utilities - Electric Power - 0.1%		
Dynegy Midwest Generation LLC, Term Loan, 9.25%, 2016	\$ 20,007	\$ 20,570
Dynegy Power LLC, Term Loan, 9.25%, 2016	26,463	27,488
		\$ 48,058
Total Floating Rate Loans (Identified Cost, \$126,192)		\$ 127,637

Convertible Preferred Stocks - 0.2%

Automotive - 0.2%		
General Motors Co., 4.75% (Identified Cost, \$145,500)	2,910	\$ 117,768

	Strike Price	First Exercise		
Warrants - 0.1%				
Broadcasting - 0.1%				
New Young Broadcasting Holding Co., Inc. (1 share for 1 warrant) (a)	\$ 0.01	7/14/10	13	\$ 44,850

Issuer/Expiration Date/Strike Price**Call Options Purchased - 0.0%**

	Number of Contracts	
S&P 500 Index - February 2013 @ \$1,450 (Premiums Paid, \$28,208)	16	\$ 29,440

Table of Contents

Portfolio of Investments continued

Money Market Funds - 2.9%

Issuer	Shares/Par	Value (\$)
MFS Institutional Money Market Portfolio, 0.17%, at Cost and Net Asset Value (v)	1,922,693	\$ 1,922,693
Total Investments (Identified Cost, \$81,714,373)		\$ 85,176,013
Other Assets, Less Liabilities - (29.7)%		(19,489,890)
Net Assets - 100.0%		\$ 65,686,123

(a) Non-income producing security.

(d) In default. Interest and/or scheduled principal payment(s) have been missed.

(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 \$23,447,909 representing 35.7% of net assets.

(p) Payment-in-kind security.

(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:

	Acquisition		
Restricted Securities	Date	Cost	Value
Ainsworth Lumber Co. Ltd., 7.5%, 2017	11/14/12	\$25,000	\$25,750
Ally Financial, Inc., 7% (Preferred Stock)	4/13/11-4/14/11	93,750	97,362
AmSurg Corp., 5.625%, 2020	11/15/12-11/27/12	105,875	106,050
American Media, Inc., 13.5%, 2018	12/22/10	28,579	24,540
Banc of America Commercial Mortgage, Inc., FRN, 6.437%, 2051	6/19/08	329,925	120,785
Clear Channel Worldwide Holdings, Inc., 6.5%, 2022	11/06/12	44,551	44,775
Clear Channel Worldwide Holdings, Inc., 6.5%, 2022	11/06/12	165,000	165,825
Dematic S.A., 8.75%, 2016	4/19/11	202,176	213,000
EPL Oil & Gas, Inc., 8.25%, 2018	11/27/12	60,000	59,550
G-Force LLC, CDO, A2, 4.83%, 2036	1/20/11	96,588	100,028
Heckler & Koch GmbH, 9.5%, 2018	5/10/11	162,967	131,617
Inergy Midstream LP, 6%, 2020	11/29/12	75,000	76,313

Table of Contents

Portfolio of Investments continued

	Acquisition		
	Date	Cost	Value
Restricted Securities continued			
LBI Media, Inc., 8.5%, 2017	7/18/07	\$148,585	\$37,875
Local TV Finance LLC, 9.25%, 2015	5/02/07-2/16/11	245,171	246,857
Spectrum Brands Escrow Corp., 6.375%, 2020	11/01/12-11/28/12	61,087	62,250
Spectrum Brands Escrow Corp., 6.625%, 2022	11/01/12	15,000	15,713
Townsquare Radio LLC, 9%, 2019	3/30/12	99,070	109,000
Total Restricted Securities			\$1,637,290
% of Net assets			2.5%

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

CDO Collateralized Debt Obligation

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 11/30/12

Forward Foreign Currency Exchange Contracts at 11/30/12

Type	Currency	Counterparty	Contracts			Contracts at Value	Net	
			Receive	Settlement Date Range	In Exchange for		Unrealized	
							to	Appreciation
							Deliver/	(Depreciation)
Liability Derivatives								
SELL	EUR	Deutsche Bank AG	338,270	1/11/13	\$435,873	\$440,116	\$(4,243)	
SELL	EUR	UBS AG	338,270	1/11/13	435,976	440,116	(4,140)	
							\$(8,383)	

See Notes to Financial Statements

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

At 11/30/12

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

Assets	
Investments-	
Non-affiliated issuers, at value (identified cost, \$79,791,680)	\$83,253,320
Underlying affiliated funds, at cost and value	1,922,693
Total investments, at value (identified cost, \$81,714,373)	\$85,176,013
Cash	280,810
Receivables for	
Investments sold	1,248,198
Interest and dividends	1,558,403
Other assets	3,500
Total assets	\$88,266,924
Liabilities	
Notes payable	\$22,000,000
Payables for	
Distributions	339
Forward foreign currency exchange contracts	8,383
Investments purchased	420,168
Payable to affiliates	
Investment adviser	22,837
Transfer agent and dividend disbursing costs	472
Payable for independent Trustees' compensation	1,652
Accrued interest expense	40,291
Accrued expenses and other liabilities	86,659
Total liabilities	\$22,580,801
Net assets	\$65,686,123
Net assets consist of	
Paid-in capital	\$79,117,190
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	3,453,447
Accumulated net realized gain (loss) on investments and foreign currency	(16,898,450)
Undistributed net investment income	13,936
Net assets	\$65,686,123
Shares of beneficial interest outstanding	21,049,466
Net asset value per share (net assets of \$65,686,123 / 21,049,466 shares of beneficial interest outstanding)	\$3.12

See Notes to Financial Statements

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

Year ended 11/30/12

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.

Net investment income	
Income	
Interest	\$6,468,745
Dividends	41,901
Dividends from underlying affiliated funds	3,849
Total investment income	\$6,514,495
Expenses	
Management fee	\$707,931
Transfer agent and dividend disbursing costs	20,103
Administrative services fee	19,430
Independent Trustees' compensation	14,306
Stock exchange fee	23,752
Custodian fee	11,623
Interest expense	241,241
Shareholder communications	34,649
Audit and tax fees	73,887
Legal fees	7,144
Miscellaneous	45,197
Total expenses	\$1,199,263
Fees paid indirectly	(56)
Reduction of expenses by investment adviser	(100,753)
Net expenses	\$1,098,454
Net investment income	\$5,416,041
Realized and unrealized gain (loss) on investments and foreign currency	
Realized gain (loss) (identified cost basis)	
Investments	\$(741,523)
Foreign currency	46,045
Net realized gain (loss) on investments and foreign currency	\$(695,478)
Change in unrealized appreciation (depreciation)	
Investments	\$7,200,637
Translation of assets and liabilities in foreign currencies	(17,192)
Net unrealized gain (loss) on investments and foreign currency translation	\$7,183,445
Net realized and unrealized gain (loss) on investments and foreign currency	\$6,487,967
Change in net assets from operations	\$11,904,008

See Notes to Financial Statements

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.

	Years ended 11/30	
	2012	2011
Change in net assets		
From operations		
Net investment income	\$5,416,041	\$5,569,128
Net realized gain (loss) on investments and foreign currency	(695,478)	586,229
Net unrealized gain (loss) on investments and foreign currency translation	7,183,445	(3,567,034)
Change in net assets from operations	\$11,904,008	\$2,588,323
Distributions declared to shareholders		
From net investment income	\$(6,023,250)	\$(6,390,463)
Change in net assets from fund share transactions	\$394,240	\$121,235
Total change in net assets	\$6,274,998	\$(3,680,905)
Net assets		
At beginning of period	59,411,125	63,092,030
At end of period (including undistributed net investment income of \$13,936 and \$306,560, respectively)	\$65,686,123	\$59,411,125
See Notes to Financial Statements		

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

Year ended 11/30/12

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

Cash flows from operating activities:	
Change in net assets from operations	\$11,904,008
Adjustments to reconcile change in net assets from operations to net cash provided by operating activities:	
Purchase of investment securities	(40,358,721)
Proceeds from disposition of investment securities	40,975,798
Purchases of short-term investments, net	(961,379)
Realized gain/loss on investments	741,523
Unrealized appreciation/depreciation on investments	(7,200,637)
Unrealized appreciation/depreciation on foreign currency contracts	17,650
Net amortization/accretion of income	151,306
Decrease in dividends and interest receivable	219,659
Increase in accrued expenses and other liabilities	17,496
Decrease in other assets	1,168
Net cash provided by operating activities	\$5,507,871
Cash flows from financing activities:	
Distributions paid in cash	(5,628,671)
Decrease in interest payable	(2,982)
Net cash used by financing activities	\$(5,631,653)
Net decrease in cash	\$(123,782)
Cash:	
Beginning of period	\$404,592
End of period	\$280,810
<i>Supplemental disclosure of cash flow information:</i>	

Non-cash financing activities not included herein consist of reinvestment of dividends and distributions of \$394,240.

Cash paid during the year for interest \$244,223.

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				
	2012	2011	2010	2009	2008
Net asset value, beginning of period	\$2.84	\$3.02	\$2.72	\$1.72	\$3.47
Income (loss) from investment operations					
Net investment income (d)	\$0.26	\$0.27	\$0.29	\$0.28	\$0.33
Net realized and unrealized gain (loss) on investments and foreign currency	0.31	(0.14)	0.28	1.01	(1.76)
Total from investment operations	\$0.57	\$0.13	\$0.57	\$1.29	\$(1.43)
Less distributions declared to shareholders					
From net investment income	\$(0.29)	\$(0.31)	\$(0.27)	\$(0.29)	\$(0.32)
Net increase from repurchase of capital shares	\$	\$	\$	\$0.00(w)	\$0.00(w)
Net asset value, end of period (x)	\$3.12	\$2.84	\$3.02	\$2.72	\$1.72
Market value, end of period	\$3.08	\$2.85	\$3.01	\$2.42	\$1.35
Total return at market value (%)	18.81	4.90	36.61	107.88	(48.49)
Total return at net asset value (%) (j)(r)(s)(x)	20.77	4.19	21.94	83.39	(43.83)
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.89	1.92	2.31	2.85	3.55
Expenses after expense reductions (f)	1.73	1.81	1.88	2.16	2.81
Net investment income	8.55	8.83	9.85	12.69	10.80
Portfolio turnover	38	60	57	45	62
Net assets at end of period (000 omitted)	\$65,686	\$59,411	\$63,092	\$56,684	\$35,926
Supplemental Ratios (%):					
Ratio of expenses to average net assets after expense reductions and excluding interest expense (f)	1.35	1.35	1.03	1.08	1.01
Senior Securities:					
Total notes payable outstanding (000 omitted)	\$22,000	\$22,000	\$22,000	\$21,000	\$17,000
Asset coverage per \$1,000 of indebtedness (k)	\$3,986	\$3,701	\$3,868	\$3,699	\$3,113

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 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 closed-end management investment company.

(2) Significant Accounting Policies

General The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. 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 this reporting period the fund adopted FASB Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04). ASU 2011-04 seeks to improve the comparability of fair value measurements as presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS) by providing common requirements for fair value measurement and disclosure.

In December 2011, the Financial Accounting Standards Board issued Accounting Standards Update 2011-11, Balance Sheet (Topic 210) Disclosures about Offsetting Assets and Liabilities (ASU 2011-11). Effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods, ASU 2011-11 is intended to enhance disclosure requirements on the offsetting of financial assets and liabilities. Although still evaluating the potential impacts of ASU 2011-11 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures.

Investment Valuations Debt instruments and floating rate loans (other than short-term instruments), 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

Table of Contents

Notes to Financial Statements continued

60 days or less generally are 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. 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. 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 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.

Table of Contents*Notes to Financial Statements continued*

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 forward foreign currency exchange contracts. The following is a summary of the levels used as of November 30, 2012 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities	\$307,626	\$200,862	\$34,338	\$542,826
Corporate Bonds		69,997,877		69,997,877
Commercial Mortgage-Backed Securities		211,063		211,063
Asset-Backed Securities (including CDOs)		100,028		100,028
Foreign Bonds		12,273,889		12,273,889
Floating Rate Loans		127,637		127,637
Mutual Funds	1,922,693			1,922,693
Total Investments	\$2,230,319	\$82,911,356	\$34,338	\$85,176,013

Other Financial Instruments

Forward Foreign Currency Exchange Contracts	\$	\$(8,383)	\$	\$(8,383)
---	----	-----------	----	-----------

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

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.

	Equity	Securities
Balance as of 11/30/11		\$85,953
Change in unrealized appreciation (depreciation)		(51,615)
Balance as of 11/30/12		\$34,338

The net change in unrealized appreciation (depreciation) from investments still held as level 3 at November 30, 2012 is \$(51,615).

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

Table of Contents

Notes to Financial Statements continued

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 and forward foreign currency exchange contracts. 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.

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, 2012 as reported in the Statement of Assets and Liabilities:

Risk	Derivative Contracts	Fair Value (a)	
		Asset Derivatives	Liability Derivatives
Foreign Exchange	Forward Foreign Currency Exchange	\$	\$(8,383)
Equity	Purchased Equity Options	29,440	
Total		\$29,440	\$(8,383)

(a) The value of purchased options outstanding is included in total investments, at value, 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, 2012 as reported in the Statement of Operations:

Risk	Foreign Currency	Investments
		(Purchased Options)
Foreign Exchange	\$47,880	\$
Equity		(31,079)
Total	\$47,880	\$(31,079)

Table of Contents*Notes to Financial Statements continued*

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, 2012 as reported in the Statement of Operations:

Risk	Translation of Assets and Liabilities in Foreign	Investments (Purchased
	Currencies	Options)
Foreign Exchange	\$(17,649)	\$
Equity		1,232
Total	\$(17,649)	\$1,232

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain over-the-counter derivatives, the fund attempts to reduce its exposure to counterparty credit risk whenever possible by entering into an International Swaps and Derivatives Association (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. The ISDA Master Agreement gives the fund the right, upon an event of default by the applicable counterparty or a termination of the agreement, to 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. However, absent an event of default by the counterparty or a termination of the agreement, the ISDA Master Agreement does not result in an offset of reported amounts of assets and liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty.

Collateral requirements differ by type of derivative. Collateral or margin requirements are set by the broker or exchange clearing house for exchange traded derivatives (i.e., futures contracts and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, 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 collateral that has been pledged to cover obligations of the fund under derivative contracts, if any, will be reported separately in the Statement of Assets and Liabilities as restricted cash. Securities collateral pledged for the same purpose, if any, is noted in the Portfolio of Investments.

Purchased Options The fund purchased call and put options for a premium. Purchased call and put options entitle the holder to buy and sell 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 be used

Table of Contents

Notes to Financial Statements continued

to hedge against an anticipated increase in the dollar cost of securities or currency to be acquired or to increase the fund's exposure to an underlying instrument. Purchasing put options may hedge against a decline in the value of portfolio securities or currency.

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 and put 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. Upon the exercise or closing of a purchased put option, the premium paid is offset against the proceeds on the sale of the underlying security or financial instrument in order to determine the realized gain or loss on investments.

The risk in purchasing an option is that the fund pays a premium whether or not the option is exercised. The fund's maximum risk of loss due to counterparty credit risk is limited to the market value of the option. 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.

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.

Table of Contents

Notes to Financial Statements continued

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 obligate the fund to supply additional cash to the borrower on demand. 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 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. Debt obligations may be placed on non-accrual status or set to accrue at a rate of interest less than the contractual coupon when the collection of all or a portion of interest has become doubtful. Interest income for those debt obligations may be further reduced by the write-off of the related interest receivables when deemed uncollectible.

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, 2012, is shown as a reduction of total expenses in the Statement of Operations.

Table of Contents

Notes to Financial Statements continued

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.

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 amortization and accretion of debt securities.

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

	11/30/12	11/30/11
Ordinary income (including any short-term capital gains)	\$6,023,250	\$6,390,463

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

As of 11/30/12	
Cost of investments	\$81,998,132
Gross appreciation	4,966,541
Gross depreciation	(1,788,660)
Net unrealized appreciation (depreciation)	\$3,177,881
Undistributed ordinary income	71,960
Capital loss carryforwards	(16,606,458)
Post-October capital loss deferral	(7,001)
Other temporary differences	(67,449)

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

Table of Contents

Notes to Financial Statements continued

As of November 30, 2012, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

Pre-enactment losses:

11/30/13	\$(71,539)
11/30/14	(2,075,017)
11/30/16	(5,956,332)
11/30/17	(6,983,828)
11/30/18	(474,667)
Total	\$(15,561,383)

Post-enactment losses:

Long-Term	\$(1,045,075)
-----------	---------------

(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, 2012 was equivalent to an annual effective rate of 1.12% 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 transaction costs and investment-related expenses, such that the total annual 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, 2013. For the year ended November 30, 2012, this reduction amounted to \$100,529 and is reflected as a 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, 2012, these fees paid to MFSC amounted to \$5,710.

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, 2012 was equivalent to an annual effective rate of 0.0307% of the fund's average daily net assets.

Table of Contents

Notes to Financial Statements continued

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.

Deferred Trustee Compensation Prior to MFS' appointment as investment adviser to the fund, the fund's former independent Trustees participated in a Deferred Compensation Plan (the Former Colonial Trustees Plan or Plan). The fund's current independent Trustees are not allowed to defer compensation under the Former Colonial Trustees Plan. Amounts deferred under the Plan are invested in shares of certain non-MFS funds selected by the former independent Trustees as notional investments. Deferred amounts represent an unsecured obligation of the fund until distributed in accordance with the Plan. Included in Other assets and Payable for independent Trustees' compensation in the Statement of Assets and Liabilities is \$1,593 of deferred Trustees' compensation. There is no current year expense associated with the Former Colonial Trustees Plan.

Other This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide 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. The ICCO and Assistant ICCO are officers of the funds and the sole members of Tarantino LLC and Griffin Compliance LLC, respectively. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. For the year ended November 30, 2012, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were \$574 and are included in Miscellaneous expense in the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of \$224, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO and Assistant ICCO.

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

Purchases and sales of investments, other than purchased option transactions and short-term obligations, aggregated \$31,005,160 and \$31,986,534, 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.

Table of Contents*Notes to Financial Statements continued*

During the years ended November 30, 2012 and November 30, 2011, the fund did not repurchase any shares. Transactions in fund shares were as follows:

	Year ended 11/30/12		Year ended 11/30/11	
	Shares	Amount	Shares	Amount
Shares issued to shareholders in reinvestment of distributions	130,712	\$394,240	41,921	\$121,235

(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 \$30,000,000. This credit agreement matured on January 13, 2012. 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 which matures on January 11, 2013. At November 30, 2012, 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. 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 in the amount of \$241,241 during the period in connection with this loan agreement. The fund also incurred a commitment fee of \$8,118 based on the average daily unused portion of the revolving secured line of credit which is reported in Miscellaneous expense in the Statement of Operations. For the year ended November 30, 2012, the average loan balance was \$22,000,000 at a weighted average annual interest rate of 1.10%. 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:

	Beginning	Acquisitions	Dispositions	Ending
	Shares/Par	Shares/Par	Shares/Par	Shares/Par
Underlying Affiliated Fund	Amount	Amount	Amount	Amount
MFS Institutional Money Market Portfolio	961,314	20,770,635	(19,809,256)	1,922,693
	Realized	Capital Gain Distributions	Dividend	Ending
	Gain (Loss)		Income	Value
Underlying Affiliated Fund				
MFS Institutional Money Market Portfolio	\$	\$	\$3,849	\$1,922,693

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying statement of assets and liabilities of MFS Intermediate High Income Fund (the Fund), including the portfolio of investments, as of November 30, 2012, 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, 2012, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers 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, 2012, 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 its 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, 2013

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 31, 2012, the following action was taken:

Item 1: To elect the following individuals as Trustees:

Nominee	For	Number of Shares	Withheld Authority
Robert E. Butler	15,431,640.170		655,924.103
David H. Gunning	15,425,184.784		662,379.489
J. Dale Sherratt	15,376,356.784		711,207.489

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

The Trustees and officers of the Trust, as of January 1, 2013, 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.

Name, Age	Position(s)		Term	Principal Occupations During the Past Five Years	Other Directorships ^(j)
	Held with Fund	Trustee/Officer Since ^(h)			
INTERESTED TRUSTEES					
Robert J. Manning ^(k) (age 49)	Trustee	February 2004	2013	Massachusetts Financial Services Company, Chairman, Chief Executive Officer and Director; President (until December 2009); Chief Investment Officer (until July 2010)	N/A
INDEPENDENT TRUSTEES					
David H. Gunning (age 70)	Trustee and Chair of Trustees	January 2004	2012	Private investor	Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non-Executive Chairman; Portman Limited (mining), Director (until 2008)
Robert E. Butler (age 71)	Trustee	January 2006	2012	Consultant investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 57)	Trustee	January 2009	2013	Private investor	N/A
William R. Gutow (age 71)	Trustee	December 1993	2014	Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman	Atlantic Coast Tan (tanning salons), Vice Chairman (until 2007); Texas Donuts (donut franchise), Vice Chairman (until 2010)

Table of Contents*Trustees and Officers continued*

Name, Age	Position(s)		Term	Principal Occupations During the Past Five Years	Other Directorships ⁽ⁱ⁾
	Held with Fund	Trustee/Officer Since ^(h)			
Michael Hegarty (age 68)	Trustee	December 2004	2014	Private investor; Rouse Properties Inc. (real estate), Director	N/A
John P. Kavanaugh (age 58)	Trustee	January 2009	2014	Private investor	N/A
J. Dale Sherratt (age 74)	Trustee	June 1989	2012	Insight Resources, Inc. (acquisition planning specialists), President; Wellfleet Investments (investor in health care companies), Managing General Partner	N/A
Laurie J. Thomsen (age 55)	Trustee	March 2005	2013	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (insurance), Director
Robert W. Uek (age 71)	Trustee	January 2006	2014	Consultant to investment company industry	N/A
OFFICERS					
John M. Corcoran ^(k) (age 47)	President	October 2008	N/A	Massachusetts Financial Services Company, Senior Vice President (since October 2008); State Street Bank and Trust (financial services provider), Senior Vice President, (until September 2008)	N/A
Christopher R. Bohane ^(k) (age 38)	Assistant Secretary and Assistant	July 2005	N/A	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kino Clark ^(k) (age 44)	Clerk Assistant Treasurer	January 2012	N/A	Massachusetts Financial Services Company, Vice President	N/A

Table of Contents*Trustees and Officers continued*

Name, Age	Position(s)		Term	Principal Occupations During the Past Five Years	Other Directorships ⁽ⁱ⁾
	Held with Fund	Trustee/Officer Since ^(h)			
Thomas H. Connors ^(k) (age 53)	Assistant Secretary and Assistant	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 ^(k) (age 49)	Clerk Assistant Secretary and Assistant	July 2005	N/A	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
David L. DiLorenzo ^(k) (age 44)	Clerk Treasurer	July 2005	N/A	Massachusetts Financial Services Company, Senior Vice President	N/A
Robyn L. Griffin (age 37)	Assistant Independent Chief Compliance Officer	August 2008	N/A	Griffin Compliance LLC (provider of compliance services), Principal (since August 2008); State Street Corporation (financial services provider), Mutual Fund Administration Assistant Vice President (October 2006 – July 2008)	N/A
Brian E. Langenfeld ^(k) (age 39)	Assistant Secretary and Assistant Clerk	June 2006	N/A	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan S. Newton ^(k) (age 62)	Assistant Secretary and Assistant Clerk	May 2005	N/A	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A

Table of Contents*Trustees and Officers continued*

Name, Age	Position(s)		Term	Principal Occupations During the Past Five Years	Other Directorships ⁽ⁱ⁾
	Held with Fund	Trustee/Officer Since ^(h)			
Susan A. Pereira ^(k) (age 42)	Assistant Secretary and Assistant Clerk	July 2005	N/A	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips ^(k) (age 42)	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 ^(k) (age 60)	Secretary and Clerk	January 2006	N/A	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Frank L. Tarantino (age 68)	Independent Chief	June 2004	N/A	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel ^(k) (age 42)	Compliance Officer 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 ^(k) (age 52)	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. For the period October 2008, until January 2012, Mr. Corcoran served as Treasurer of the Funds. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds.

(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.

Table of Contents

Trustees and Officers continued

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, and Uek and Ms. Thomsen 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, 2013, the Trustees served as board members of 143 funds within the MFS Family of Funds.

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

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
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, 2012 (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, 2011 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

Table of Contents

Board Review of Investment Advisory Agreement continued

advisory, administrative and other services to the Fund and the other MFS Funds. The comparative performance, fee and expense information prepared and provided by Lipper Inc. was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

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

In June 2007, shareholders approved an investment advisory agreement between the Fund and MFS. Effective June 30, 2007, in connection with the consummation of the asset purchase agreement between MFS and Columbia Management Advisors LLC, MFS assumed investment management responsibilities for the Fund.

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, 2011, 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 12th out of a total of 38 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 14th out of a total of 38 funds for the one-year period and 6th out of a total of 36 funds for the five-year period ended December 31, 2011. 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 Capital U.S. High-Yield Corporate Bond 2% Issuer Capped Index. The Fund out-performed the Barclays Capital U.S. High-Yield Corporate Bond 2% Issuer Capped Index for each of the one- and three-year periods ended December 31, 2011 (one-year: 5.4% total return for the Fund versus 5.0% total return for the benchmark; three-year: 30.2% total return for the Fund versus 24.2% total return for the benchmark) and under-performed the Barclays Capital U.S. High-Yield Corporate Bond 2% Issuer Capped Index for the five-year period ended December 31, 2011 (6.0% total return for the Fund versus 7.7% 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.

Table of Contents

Board Review of Investment Advisory Agreement continued

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

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total 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 higher than 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 institutional accounts, if any. 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

Table of Contents

Board Review of Investment Advisory Agreement continued

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 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, 2012.

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS is available by clicking on the fund's name under "Closed End Funds" in the "Products" section of the MFS Web site (mfs.com).

Table of Contents

PROXY VOTING POLICIES AND INFORMATION

A general description of the MFS funds' proxy voting policies and procedures is 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 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 News & Commentary 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 2012 income tax forms in January 2013.

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?
For our everyday business purposes	Yes	No
such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus		
For our marketing purposes	No	We don't share
to offer our products and services to you		
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes	No	We don't share
information about your transactions and experiences		
For our affiliates' everyday business purposes	No	We don't share
information about your creditworthiness		

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**.

57

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.

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

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 Ms. 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 Ms. 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, 2012 and 2011, audit fees billed to the Fund by E&Y were as follows:

	Audit Fees	
	2012	2011
Fees billed by E&Y:		
MFS Intermediate High Income Fund	51,774	49,860

	Audit-Related Fees ¹		Tax Fees ²		All Other Fees ³
	2012	2011	2012	2011	2012 2011
Fees billed by E&Y:					
To MFS Intermediate High Income Fund	10,504	10,110	9,753	9,618	0 0

	Audit-Related Fees ¹		Tax Fees ²		All Other Fees ³	
	2012	2011	2012	2011	2012	2011
Fees billed by E&Y:						
To MFS and MFS Related Entities of MFS Intermediate High Income Fund*	0	0	0	0	0	0

* 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.

1 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.

2 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.

3 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.

4 E&Y fees reported in 2011 have been restated in this filing from those reported in the Registrant's filing for the reporting period ended November 30, 2011.

Table of Contents

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 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. Laurie J. Thomsen.

Table of Contents

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.

MASSACHUSETTS FINANCIAL SERVICES COMPANY

PROXY VOTING POLICIES AND PROCEDURES

March 1, 2012

Massachusetts Financial Services Company, MFS Institutional Advisors, Inc., MFS International (UK) Limited, MFS Heritage Trust Company, McLean Budden Limited 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.

Table of Contents

In developing these proxy voting guidelines, 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.

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.

Table of Contents

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) are comprised 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 be comprised 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.

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 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, including MFS; (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); or (4) there are severe governance concerns at the 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).

Table of Contents

Classified Boards

MFS generally supports proposals to declassify a board (e.g. 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.

Proxy Access

MFS analyzes proposals seeking the ability of qualifying shareholders to nominate a certain number of directors on the company's proxy statement (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.

Table of Contents

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.

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, or (ii) expressly prohibit the backdating of stock options.

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' 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. In our view, shareholders should provide names of qualified candidates to a company's nominating committee, which, in our view, should be comprised solely of independent directors.

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.