

MFS INVESTMENT GRADE MUNICIPAL TRUST  
Form N-CSR  
January 28, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM N-CSR**

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

Investment Company Act file number 811-05785

**MFS INVESTMENT GRADE MUNICIPAL TRUST**

(Exact name of registrant as specified in charter)

**111 Huntington Avenue, Boston, Massachusetts 02199**

(Address of principal executive offices) (Zip code)

**Susan S. Newton**

**Massachusetts Financial Services Company**

**111 Huntington Avenue**

**Boston, Massachusetts 02199**

(Name and address of agents for service)

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

Date of fiscal year end: November 30

Date of reporting period: November 30, 2013

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**ITEM 1. REPORTS TO STOCKHOLDERS.**

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**ANNUAL REPORT**

November 30, 2013

**MFS® INVESTMENT GRADE MUNICIPAL TRUST**

CXH-ANN

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**MFS® INVESTMENT GRADE MUNICIPAL TRUST**

New York Stock Exchange Symbol: **CXH**

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

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## **LETTER FROM THE CHAIRMAN AND CEO**

Dear Shareholders:

The global economy continues to grow at a modest pace. U.S. job growth has picked up in recent months, and gross domestic product growth has accelerated each quarter.

The U.K. and eurozone economies are expanding again. China's economy has regained traction, while Japan's government and central bank have revived a once-struggling economy.

However, challenges still exist. The eurozone recovery remains uneven, with France at risk of sliding back into recession, and unemployment rates among the region's northern countries differ substantially with rates in the south. China faces risks in its pursuit of greater domestic consumption. Japan is bracing itself for the national sales tax increase in April. The U.S. Federal Reserve remains a key focus for investors. As the nation's

economy improves, there are rising expectations that the Fed may start to shift away from its accommodative monetary policy.

Managing risk in the face of uncertainty is always a top priority for investors. At MFS®, our collaborative process employs integrated, global research and active risk management. Our team of investment professionals shares ideas and evaluates opportunities that span continents, investment disciplines and asset classes. Our goal is to build better insights, and ultimately better results, for our clients.

We understand and appreciate the economic challenges investors face, and we believe in the value of maintaining a long-term view and employing time-tested principles, such as asset allocation and diversification. We are confident that our unique approach can serve investors well as they work with their financial advisors to identify and pursue the most suitable opportunities.

Respectfully,

**Robert J. Manning**

Chairman and Chief Executive Officer

MFS Investment Management®

January 15, 2014

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 at market value****Top five industries reflecting equivalent exposure of derivative positions (i)**

|                               |         |
|-------------------------------|---------|
| Universities Colleges         | 23.9%   |
| Healthcare Revenue Hospitals  | 21.2%   |
| Water & Sewer Utility Revenue | 12.7%   |
| Transportation Special Tax    | 8.5%    |
| U.S. Treasury Securities (j)  | (13.7)% |

**Portfolio structure reflecting equivalent exposure of derivative positions (i)(j)****Composition including fixed income credit quality (a)(i)**

|               |         |
|---------------|---------|
| AAA           | 19.2%   |
| AA            | 30.9%   |
| A             | 36.6%   |
| BBB           | 31.0%   |
| BB            | 5.2%    |
| B             | 4.8%    |
| C (o)         | 0.0%    |
| Not Rated (j) | (0.8)%  |
| Cash & Other  | (26.9)% |

**Portfolio facts (i)**

|                                |           |
|--------------------------------|-----------|
| Average Duration (d)           | 14.6      |
| Average Effective Maturity (m) | 18.7 yrs. |

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*Portfolio Composition continued*

- (a) For all securities other than those specifically described below, ratings are assigned to underlying securities utilizing ratings from Moody's, Fitch, and Standard & Poor's rating agencies and applying the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned. Ratings are shown in the S&P and Fitch scale (e.g., AAA). Securities rated BBB or higher are considered investment grade. All ratings are subject to change. Not Rated includes fixed income securities, including fixed income futures contracts, which have not been rated by any rating agency. Cash & Other includes cash, other assets less liabilities, offsets to derivative positions, and short-term securities. The fund may not hold all of these instruments. The fund is not rated by these agencies.
- (d) Duration is a measure of how much a bond's price is likely to fluctuate with general changes in interest rates, e.g., if rates rise 1.00%, a bond with a 5-year duration is likely to lose about 5.00% of its value due to the interest rate move.
- (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. 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. The bond component will include any accrued interest amounts.
- (j) For the purpose of managing the fund's duration, the fund holds short treasury futures with a bond equivalent exposure of (13.7)%, which reduce the fund's interest rate exposure but not its credit exposure.
- (m) In determining an instrument's effective maturity for purposes of calculating the fund's dollar-weighted average effective maturity, MFS uses the instrument's stated maturity or, if applicable, an earlier date on which MFS believes it is probable that a maturity-shortening device (such as a put, pre-refunding or prepayment) will cause the instrument to be repaid. Such an earlier date can be substantially shorter than the instrument's stated maturity.
- (o) Less than 0.1%

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

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

Percentages are based on net assets, including the value of auction rate preferred shares, as of 11/30/13.

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

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**MANAGEMENT REVIEW**

**Summary of Results**

MFS Investment Grade Municipal Trust ( fund ) is a closed-end fund. The fund's investment objective is to seek high current income exempt from federal income tax, but may also consider capital appreciation. The fund invests, under normal market conditions, at least 80% of its net assets, including assets attributable to preferred shares and borrowing for investment purposes, in tax-exempt bonds and tax-exempt notes.

For the twelve months ended November 30, 2013, common shares of the MFS Investment Grade Municipal Trust provided a total return of 7.02%, at net asset value and a total return of 20.20%, at market value. This compares with a return of 3.51% for the fund's benchmark, the Barclays Municipal Bond Index.

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

**Market Environment**

At the beginning of the period, year-end fiscal cliff negotiations between the Republicans in the US Congress and President Obama were a particular source of market attention, where uncertainty surrounding the fiscal negotiations continued right up to the end-of-year deadline. A last minute political agreement averted the worst-case scenario and markets gravitated towards risk assets again, though the implementation of the US budget sequester, combined with concerns surrounding the Italian election results, was a source of uncertainty which lingered throughout the first half of the period.

The more dominant features of the first few months of 2013 included a marked improvement in market sentiment as global macroeconomic indicators improved, monetary easing by the Bank of Japan accelerated and fears of fiscal austerity in the US waned. In the middle of the period, concerns that the US Federal Reserve (Fed) would begin tapering its quantitative easing (QE) program caused sovereign bond yields to spike, credit spreads to widen, and equity valuations to fall. Equities subsequently outperformed fixed income in response to the improved economic fundamentals.

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



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*Management Review continued*

Over the twelve months ended November 30, 2013, municipal bond yields generally increased as fixed income market activity was led by the Fed's signal this past June that it would begin to reduce monthly purchases of US Treasury and Mortgage Backed Securities as early as 3Q13. Subsequently, 10-year US Treasury yields increased dramatically from 1.60% in May to a peak of 3% in early September. Municipal bond prices fell accordingly during this time frame when the Fed announced it might taper asset purchases. The rise in municipal bond yields was more pronounced in the long end of the yield curve relative to intermediate-term bonds as municipal bond mutual fund redemptions, as well as reduced liquidity, lessened the demand for longer maturity bonds. Further, more flames were fanned by credit concerns, first by Detroit's Chapter 9 filing in July, and then by increased scrutiny of Puerto Rico's weakened fiscal position in late August. Municipal bond issuance declined with many refunding deals postponed or cancelled with the prolonged increase in borrowing rates. Municipal market supply/demand dynamics improved during the last few months of the period, enough to experience a small rally as retail investors and hedge funds emerged as the market's primary source of demand.

**Detractors from Performance**

Relative to the Barclays Municipal Bond Index, the fund's lesser exposure to AA rated securities, and a greater exposure to BBB rated bonds, held back relative performance. Weak bond selection in the *education, tobacco, utilities* and *transportation* sectors was another factor that dampened results.

The fund employs leverage which has been created through the issuance of auction rate preferred shares, variable rate municipal term preferred shares and inverse floaters. 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 leverage negatively impacted performance.

**Contributors to Performance**

Positive bond selection in the *tax/assessment* and *tax/sales* sectors was a contributor to relative performance. A greater exposure to both the *housing* and *tobacco* sectors furthered supported relative results.

Respectfully,

Michael Dawson  
Portfolio Manager

Geoffrey Schechter  
Portfolio Manager

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

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*Management Review continued*

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 11/30/13**

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 Investment Grade Municipal Trust**

Year Ended 11/30/13

|                               | Date                | Price   |
|-------------------------------|---------------------|---------|
| Net Asset Value               | 11/30/13            | \$9.61  |
|                               | 11/30/12            | \$10.96 |
| New York Stock Exchange Price | 11/30/13            | \$8.30  |
|                               | 12/05/12 (high) (t) | \$11.02 |
|                               | 11/29/13 (low) (t)  | \$8.30  |
|                               | 11/30/12            | \$11.03 |

**Total Returns vs Benchmark**

Year Ended 11/30/13

|   |          |
|---|----------|
| MFS Investment Grade Municipal Trust at |          |
| New York Stock Exchange Price (r)       | (20.20)% |
| Net Asset Value (r)                     | (7.02)%  |
| Barclays Municipal Bond Index (f)       | (3.51)%  |

(f) Source: FactSet Research Systems Inc.

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

(t) For the period December 1, 2012 through November 30, 2013.

**Benchmark Definition**

Barclays Municipal Bond Index – a market capitalization-weighted index that measures the performance of the tax-exempt bond market.

It is not possible to invest directly in an index.

**Notes to Performance Summary**

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



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*Performance Summary continued*

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

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

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

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

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**PORTFOLIO MANAGERS PROFILES**

| <b>Portfolio Manager</b> | <b>Primary Role</b> | <b>Since</b> | <b>Title and Five Year History</b>   |
|--------------------------|---------------------|--------------|--|
| Michael Dawson           | Portfolio Manager   | 2007         | Investment Officer of MFS; employed in the investment management area of MFS since 1998. |
| Geoffrey Schechter       | Portfolio Manager   | 2007         | Investment Officer of MFS; employed in the investment management area of MFS since 1993. |

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**DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN**

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

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

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

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

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

11/30/13

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

**Municipal Bonds - 139.4%**

| <b>Issuer</b>   | <b>Shares/Par</b> | <b>Value (\$)</b> |
|---|-------------------|-------------------|
| <b>Airport Revenue - 3.0%</b>   |                   |                   |
| Chicago, IL, O Hare International Airport Rev., Third Lien, A, 5.625%, 2035                       | \$ 650,000        | \$ 680,212        |
| Guam International Airport Authority Rev., C, 5%, 2016  | 25,000            | 26,476            |
| Guam International Airport Authority Rev., C, 5%, 2017  | 45,000            | 47,826            |
| Houston, TX, Airport System Rev., B, 5%, 2026   | 160,000           | 174,400           |
| Houston, TX, Airport System Rev., Subordinate Lien, A, 5%, 2031                                   | 140,000           | 141,161           |
| Massachusetts Port Authority Rev., A, 5%, 2037  | 35,000            | 35,339            |
| Port Authority of NY & NJ, Special Obligation Rev. (JFK International Air Terminal LLC), 6%, 2036 | 195,000           | 210,438           |
| Port Authority of NY & NJ, Special Obligation Rev. (JFK International Air Terminal LLC), 6%, 2042 | 225,000           | 241,427           |
| San Francisco, CA, City & County Airports Commission, International Airport Rev., D, 5%, 2025     | 1,000,000         | 1,100,540         |
| San Jose, CA, Airport Rev., A-2, 5.25%, 2034  | 710,000           | 732,365           |
|   |                   | \$ 3,390,184      |
| <b>General Obligations - General Purpose - 5.4%</b>   |                   |                   |
| Chicago, IL, Greater Chicago Metropolitan Water Reclamation District, C, 5%, 2029                 | \$ 855,000        | \$ 912,986        |
| Las Vegas Valley, NV, Water District, C, 5%, 2029   | 755,000           | 808,499           |
| Luzerne County, PA, AGM, 6.75%, 2023  | 370,000           | 411,940           |
| Richland County, SC, General Obligation, B, 5%, 2023  | 1,000,000         | 1,191,510         |
| State of California, 4%, 2026   | 725,000           | 740,544           |
| State of California, 5.25%, 2028  | 270,000           | 299,354           |
| State of California, 5.25%, 2030  | 645,000           | 702,212           |
| State of Hawaii, DZ, 5%, 2031   | 180,000           | 194,510           |
| State of Illinois, 5.5%, 2033   | 105,000           | 106,714           |
| State of Illinois, 5.5%, 2038   | 600,000           | 599,970           |
|   |                   | \$ 5,968,239      |
| <b>General Obligations - Schools - 3.0%</b>   |                   |                   |
| Beverly Hills, CA, Unified School District (Election of 2008), Capital Appreciation, 0%, 2031     | \$ 130,000        | \$ 56,064         |
| Beverly Hills, CA, Unified School District (Election of 2008), Capital Appreciation, 0%, 2032     | 235,000           | 95,408            |
| Beverly Hills, CA, Unified School District (Election of 2008), Capital Appreciation, 0%, 2033     | 470,000           | 179,737           |
| Clovis, CA, Unified School District (Election of 2004), Capital Appreciation, A, 0%, 2025         | 570,000           | 343,562           |

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

| Issuer   | Shares/Par   | Value (\$)   |
|--|--------------|--------------|
| <b>Municipal Bonds - continued</b>   |              |              |
| <b>General Obligations - Schools - continued</b>   |              |              |
| Frenship, TX, Independent School District, AGM, 5%, 2033   | \$ 1,000,000 | \$ 1,026,050 |
| Los Angeles, CA, Unified School District, D, 5%, 2034  | 95,000       | 99,509       |
| Mt. San Antonio, CA, Community College District, Convertible Capital Appreciation, 0%, 2028  | 140,000      | 94,354       |
| Pomona, CA, Unified School District, A, NATL, 6.45%, 2022  | 1,000,000    | 1,191,100    |
| West Contra Costa, CA, Unified School District, B, NATL, 6%, 2024  | 250,000      | 292,410      |
|  |              | \$ 3,378,194 |
| <b>Healthcare Revenue - Hospitals - 21.1%</b>  |              |              |
| Brunswick, GA, Hospital Authority Rev. (Glynn-Brunswick Memorial Hospital), 5.625%, 2034   | \$ 165,000   | \$ 171,587   |
| Butler County, OH, Hospital Facilities Rev. (UC Health), 5.75%, 2040   | 105,000      | 107,272      |
| California Health Facilities Financing Authority Rev. (St. Joseph Health System), A, 5.75%, 2039                                     | 195,000      | 209,978      |
| California Health Facilities Financing Authority Rev. (Sutter Health), B, 5.875%, 2031   | 535,000      | 598,724      |
| California Statewide Communities Development Authority Rev. (Enloe Medical Center), CALHF, 5.75%, 2038                               | 360,000      | 383,382      |
| Chattanooga, TN, Health Educational & Housing Facility Board Rev. (Catholic Health Initiatives), A, 5.25%, 2045                      | 820,000      | 811,283      |
| Colorado Health Facilities Authority Rev. (SCL Health System), A, 5%, 2044   | 380,000      | 370,181      |
| Cullman County, AL, Health Care Authority (Cullman Regional Medical Center), A, 6.75%, 2029  | 355,000      | 365,043      |
| Harris County, TX, Cultural Education Facilities Finance Corp. Medical Facilities Rev. (Baylor College of Medicine), D, 5.625%, 2032 | 490,000      | 527,686      |
| Harris County, TX, Health Facilities Development Corp., Hospital Rev. (Memorial Hermann Healthcare Systems), B, 7%, 2018 (c)         | 205,000      | 261,639      |
| Harris County, TX, Health Facilities Development Corp., Hospital Rev. (Memorial Hermann Healthcare Systems), B, 7.25%, 2018 (c)      | 250,000      | 322,088      |
| Health Care Authority for Baptist Health, AL, D, 5%, 2021  | 850,000      | 873,137      |
| Illinois Finance Authority Rev. (Advocate Healthcare), 4%, 2047  | 275,000      | 219,164      |
| Illinois Finance Authority Rev. (KishHealth Systems Obligated Group), 5.75%, 2028  | 380,000      | 402,903      |
| Illinois Finance Authority Rev. (Provena Health), A, 7.75%, 2034   | 400,000      | 478,412      |
| Illinois Finance Authority Rev. (Rehabilitation Institute of Chicago), A, 6%, 2043   | 565,000      | 596,979      |
| Illinois Finance Authority Rev. (Resurrection Health), 6.125%, 2025  | 460,000      | 503,406      |
| Illinois Finance Authority Rev. (Silver Cross Hospital & Medical Centers), 6.875%, 2038  | 395,000      | 426,011      |
| Illinois Finance Authority Rev. (Silver Cross Hospital & Medical Centers), A, 5.5%, 2030   | 45,000       | 45,721       |
| Indiana Health & Educational Facilities Finance Authority, Hospital Rev. (Community Foundation of Northwest Indiana), 5.5%, 2037     | 705,000      | 727,497      |

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

| <b>Issuer</b>   | <b>Shares/Par</b> | <b>Value (\$)</b> |
|---|-------------------|-------------------|
| <b>Municipal Bonds - continued</b>  |                   |                   |
| <b>Healthcare Revenue - Hospitals - continued</b>   |                   |                   |
| Indiana Health & Educational Financing Authority Rev. (Community Foundation of Northwest Indiana ), A , 6%, 2014 (c)          | \$ 150,000        | \$ 153,618        |
| Jefferson Parish, LA, Hospital Service District No. 2 (East Jefferson General Hospital), 6.25%, 2031                          | 470,000           | 496,635           |
| Johnson City, TN, Health & Educational Facilities Board, Hospital Rev. (Mountain States Health Alliance), A , 5.5%, 2036      | 845,000           | 850,188           |
| Kentucky Economic Development Finance Authority, Hospital Facilities Rev. (Baptist Healthcare System), A , 5.375%, 2024       | 255,000           | 278,998           |
| Kentucky Economic Development Finance Authority, Hospital Facilities Rev. (Baptist Healthcare System), A , 5.625%, 2027       | 85,000            | 92,872            |
| Kentucky Economic Development Finance Authority, Hospital Facilities Rev. (Owensboro Medical Health System), A , 6.375%, 2040 | 440,000           | 460,777           |
| Lake County, OH, Hospital Facilities Rev. (Lake Hospital), C , 6%, 2043   | 265,000           | 275,613           |
| Louisiana Public Facilities Authority Hospital Rev. (Lake Charles Memorial Hospital), 6.375%, 2034                            | 290,000           | 296,824           |
| Louisville & Jefferson County, KY, Metropolitan Government Healthcare Systems Rev. (Norton Healthcare, Inc.), 5.25%, 2036     | 385,000           | 379,429           |
| Lufkin, TX, Health Facilities Development Corp. Rev. (Memorial Health System), 5.5%, 2037                                     | 45,000            | 42,846            |
| Maryland Health & Higher Educational Facilities Authority Rev. (Anne Arundel Health System, Inc.), A , 6.75%, 2039            | 175,000           | 201,756           |
| Maryland Health & Higher Educational Facilities Authority Rev. (Mercy Medical Center), A , 5.5%, 2042                         | 265,000           | 264,987           |
| Massachusetts Health & Educational Facilities Authority Rev. (South Shore Hospital), F , 5.75%, 2029                          | 370,000           | 370,307           |
| Miami-Dade County, FL, Health Facilities Authority, Hospital Rev. (Variety Children s Hospital), A , 6.125%, 2042             | 195,000           | 208,531           |
| Michigan Finance Authority Rev. (Trinity Health Corp.), 5%, 2035  | 750,000           | 762,848           |
| Muskingum County, OH, Hospital Facilities Rev. (Genesis Health System Obligated Group), 5%, 2033                              | 85,000            | 72,954            |
| Muskingum County, OH, Hospital Facilities Rev. (Genesis Health System Obligated Group), 5%, 2044                              | 255,000           | 202,411           |
| Muskingum County, OH, Hospital Facilities Rev. (Genesis Health System Obligated Group), 5%, 2048                              | 85,000            | 65,690            |
| New Hampshire Business Finance Authority Rev. (Elliot Hospital Obligated Group), A , 6%, 2027                                 | 445,000           | 470,432           |
| New Hampshire Health & Education Facilities Authority Rev. (Memorial Hospital at Conway), 5.25%, 2036                         | 300,000           | 274,143           |
| New York Dormitory Authority Rev., Non-State Supported Debt (Bronx-Lebanon Hospital Center), LOC, 6.5%, 2030                  | 165,000           | 183,681           |
| New York Dormitory Authority Rev., Non-State Supported Debt (Bronx-Lebanon Hospital Center), LOC, 6.25%, 2035                 | 100,000           | 108,166           |

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| <b>Issuer</b>  | <b>Shares/Par</b> | <b>Value (\$)</b> |
|--|-------------------|-------------------|
| <b>Municipal Bonds - continued</b>   |                   |                   |
| <b>Healthcare Revenue - Hospitals - continued</b>  |                   |                   |
| Palomar Pomerado Health Care District, CA, COP, 6.75%, 2039  | \$ 245,000        | \$ 251,806        |
| Rhode Island Health & Educational Building Corp. Rev., Hospital Financing (Lifespan Obligated Group), A , ASSD GTY, 7%, 2039         | 855,000           | 931,386           |
| Richmond, IN, Hospital Authority Rev. (Reid Hospital & Health Center Services), A , 6.625%, 2039                                     | 525,000           | 564,743           |
| Royal Oak, MI, Hospital Finance Authority Rev. (William Beaumont Hospital), 8.25%, 2039  | 230,000           | 275,000           |
| Scioto County, OH, Hospital Facilities Rev. (Southern Ohio Medical Center), 5.75%, 2038  | 555,000           | 576,279           |
| Skagit County, WA, Public Hospital District No. 001 Rev. (Skagit Valley Hospital), 5.75%, 2032                                       | 535,000           | 536,129           |
| South Dakota Health & Educational Facilities Authority Rev. (Avera Health), A , 5%, 2042   | 95,000            | 94,140            |
| South Lake County, FL, Hospital District Rev. (South Lake Hospital), A , 6%, 2029  | 105,000           | 112,994           |
| South Lake County, FL, Hospital District Rev. (South Lake Hospital), A , 6.25%, 2039   | 155,000           | 166,870           |
| St. Paul, MN, Housing & Redevelopment Authority Healthcare Facilities Rev. (HealthPartners Obligated Group), 5.25%, 2023             | 325,000           | 343,122           |
| Sullivan County, TN, Health, Educational & Housing Facilities Board Hospital Rev. (Wellmont Health Systems Project), C , 5.25%, 2026 | 1,365,000         | 1,376,657         |
| Sullivan County, TN, Health, Educational & Housing Facilities Board Hospital Rev. (Wellmont Health Systems Project), C , 5.25%, 2036 | 135,000           | 127,628           |
| Sumner County, TN, Health, Educational & Housing Facilities Board Rev. (Sumner Regional Health Systems, Inc.), A , 5.5%, 2046 (a)(d) | 1,000,000         | 2,400             |
| Tyler, TX, Health Facilities Development Corp. (East Texas Medical Center), A , 5.25%, 2032  | 265,000           | 248,379           |
| Tyler, TX, Health Facilities Development Corp. (East Texas Medical Center), A , 5.375%, 2037   | 185,000           | 173,752           |
| Upland, CA, COP (San Antonio Community Hospital), 6.5%, 2041   | 85,000            | 93,258            |
| Washington Health Care Facilities Authority Rev. (Highline Medical Center), FHA, 6.25%, 2036   | 695,000           | 849,644           |
| Washington Health Care Facilities Authority Rev. (Virginia Mason Medical Center), A , 6.25%, 2042                                    | 570,000           | 586,946           |
| West Virginia Hospital Finance Authority, Hospital Rev. (Thomas Health System), 6.5%, 2038   | 285,000           | 274,122           |
| Wisconsin Health & Educational Facilities Authority Rev. (Aurora Health Care, Inc.), A , 5%, 2026                                    | 185,000           | 191,865           |
| Wisconsin Health & Educational Facilities Authority Rev. (Aurora Health Care, Inc.), A , 5%, 2028                                    | 55,000            | 55,867            |
| Wisconsin Health & Educational Facilities Authority Rev. (Fort Healthcare, Inc. Project), 5.375%, 2018                               | 385,000           | 390,136           |
| Wisconsin Health & Educational Facilities Authority Rev. (ProHealth Care, Inc. Obligated Group), 6.625%, 2014 (c)                    | 195,000           | 197,594           |

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

| <b>Issuer</b>   | <b>Shares/Par</b> | <b>Value (\$)</b> |
|---|-------------------|-------------------|
| <b>Municipal Bonds - continued</b>  |                   |                   |
| <b>Healthcare Revenue - Hospitals - continued</b>   |                   |                   |
| Wisconsin Health & Educational Facilities Authority Rev. (ProHealth Care, Inc. Obligated Group), 6.625%, 2039                             | \$ 100,000        | \$ 109,354        |
|   |                   | \$ 23,445,870     |
| <b>Healthcare Revenue - Long Term Care - 4.9%</b>   |                   |                   |
| Americus and Sumter County, GA, Hospital Authority Rev. (Magnolia Manor Obligated Group), A , 6.25%, 2033                                 | \$ 75,000         | \$ 74,414         |
| Americus and Sumter County, GA, Hospital Authority Rev. (Magnolia Manor Obligated Group), A , 6.375%, 2043                                | 75,000            | 73,580            |
| Colorado Health Facilities Authority Rev. (Evangelical Lutheran Good Samaritan Society), 5.625%, 2043                                     | 90,000            | 90,757            |
| Cumberland County, PA, Municipal Authority Rev. (Diakon Lutheran Social Ministries), 6.125%, 2029   | 570,000           | 602,587           |
| Fulton County, GA, Residential Care Facilities, Elderly Authority Rev. (Canterbury Court), A , 6.125%, 2034                               | 250,000           | 245,010           |
| Hawaii Department of Budget & Finance, Special Purpose Rev. (15 Craigsides Project), A , 9%, 2044   | 115,000           | 128,808           |
| Illinois Finance Authority Rev. (Franciscan Communities, Inc.), A , 4.75%, 2033   | 160,000           | 137,056           |
| Illinois Finance Authority Rev. (Franciscan Communities, Inc.), A , 5.125%, 2043  | 125,000           | 106,021           |
| Illinois Finance Authority Rev. (Smith Village), A , 6.25%, 2035  | 500,000           | 478,165           |
| Illinois Health Facilities Authority Rev. (Smith Crossing), A , 7%, 2032  | 250,000           | 250,235           |
| La Verne, CA, COP (Brethren Hillcrest Homes), B , 6.625%, 2025  | 330,000           | 333,617           |
| Maryland Health & Higher Educational Facilities Authority Rev. (Charlestown Community), 6.25%, 2041                                       | 190,000           | 202,949           |
| Massachusetts Development Finance Agency Rev. (North Hill Communities), A , 6.5%, 2043  | 100,000           | 93,999            |
| New Jersey Economic Development Authority Rev. (Lions Gate), A , 5.75%, 2025  | 310,000           | 309,985           |
| New Jersey Economic Development Authority Rev. (Lions Gate), A , 5.875%, 2037   | 100,000           | 92,801            |
| Pell City, AL, Special Care Facilities, Financing Authority Rev. (Noland Health Services, Inc.), 5%, 2039                                 | 140,000           | 134,683           |
| Red River, TX, Health Facilities Development Corp., Retirement Facilities Rev. (Sears Methodist Retirement System, Inc.), A , 6.05%, 2046 | 366,000           | 310,800           |
| Red River, TX, Health Facilities Development Corp., Retirement Facilities Rev. (Sears Methodist Retirement System, Inc.), C , 6.25%, 2053 | 32,000            | 28,185            |
| Red River, TX, Health Facilities Development Corp., Retirement Facilities Rev. (Sears Methodist Retirement System, Inc.), D , 6.05%, 2046 | 64,000            | 54,348            |

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*Portfolio of Investments continued*

| <b>Issuer</b>  | <b>Shares/Par</b> | <b>Value (\$)</b> |
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| <b>Municipal Bonds - continued</b>   |                   |                   |
| <b>Healthcare Revenue - Long Term Care - continued</b>   |                   |                   |
| St. Johns County, FL, Industrial Development Authority Rev. (Presbyterian Retirement), A, 6%, 2045                                     | \$ 400,000        | \$ 406,756        |
| Suffolk County, NY, Industrial Development Agency, Civic Facilities Rev. (Gurwin Jewish Phase II), 6.7%, 2014 (c)                      | 475,000           | 497,126           |
| Tarrant County, TX, Cultural Education Facilities Finance Corp. Retirement Facility (Air Force Village Foundation, Inc.), 6.125%, 2029 | 40,000            | 41,170            |
| Tarrant County, TX, Cultural Education Facilities Finance Corp. Retirement Facility (Air Force Village Foundation, Inc.), 6.375%, 2044 | 315,000           | 320,349           |
| Tarrant County, TX, Cultural Education Facilities Finance Corp. Retirement Facility (Stayton at Museum Way), 8.25%, 2044               | 500,000           | 492,815           |
|  |                   | \$ 5,506,216      |
| <b>Human Services - 0.2%</b>   |                   |                   |
| Massachusetts Development Finance Agency Rev. (Evergreen Center, Inc.), 5%, 2024   | \$ 250,000        | \$ 244,955        |
| <b>Industrial Revenue - Airlines - 1.0%</b>  |                   |                   |
| Clayton County, GA, Development Authority Special Facilities Rev. (Delta Airlines, Inc.), A, 8.75%, 2029                               | \$ 125,000        | \$ 145,299        |
| Clayton County, GA, Development Authority Special Facilities Rev. (Delta Airlines, Inc.), B, 9%, 2035                                  | 95,000            | 101,740           |
| Denver, CO, City & County Airport Rev. (United Airlines), 5.25%, 2032  | 245,000           | 222,874           |
| New Jersey Economic Development Authority, Special Facilities Rev. (Continental Airlines, Inc.), 4.875%, 2019                          | 125,000           | 121,286           |
| New Jersey Economic Development Authority, Special Facilities Rev. (Continental Airlines, Inc.), 5.25%, 2029 (b)                       | 260,000           | 244,811           |
| Tulsa, OK, Municipal Airport Trust Rev. (American Airlines, Inc.), B, 5.5%, 2035   | 140,000           | 128,967           |
| Tulsa, OK, Municipal Airport Trust Rev. (American Airlines, Inc.), B, 5.5%, 2035   | 170,000           | 156,599           |
|  |                   | \$ 1,121,576      |
| <b>Industrial Revenue - Chemicals - 0.5%</b>   |                   |                   |
| Brazos River, TX, Harbor Navigation District (Dow Chemical Co.), B-2, 4.95%, 2033  | \$ 590,000        | \$ 600,402        |
| <b>Industrial Revenue - Environmental Services - 1.3%</b>  |                   |                   |
| California Pollution Control Financing Authority, Solid Waste Disposal Rev. (Republic Services, Inc.), B, 5.25%, 2023 (b)              | \$ 135,000        | \$ 147,516        |
| California Pollution Control Financing Authority, Solid Waste Disposal Rev. (Waste Management, Inc.), A, 5%, 2022                      | 305,000           | 319,308           |
| California Pollution Control Financing Authority, Solid Waste Disposal Rev. (Waste Management, Inc.), C, 5.125%, 2023                  | 335,000           | 346,517           |

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*Portfolio of Investments continued*

| Issuer   | Shares/Par | Value (\$)   |
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| <b>Municipal Bonds - continued</b>   |            |              |
| <b>Industrial Revenue - Environmental Services - continued</b>   |            |              |
| Massachusetts Development Finance Agency, Resource Recovery Rev. (Covanta Energy Project), A , 4.875%, 2027                        | \$ 205,000 | \$ 192,647   |
| Massachusetts Development Finance Agency, Resource Recovery Rev. (Covanta Energy Project), C , 5.25%, 2042                         | 175,000    | 153,188      |
| Niagara County, NY, Industrial Development Agency, Solid Waste Disposal Rev. (Covanta Energy Project), A , 5.25%, 2042             | 175,000    | 153,825      |
| Vermont Economic Development Authority, Solid Waste Disposal Rev. (Casella Waste Systems, Inc.), 4.75%, 2036 (b)                   | 195,000    | 186,888      |
|  |            | \$ 1,499,889 |
| <b>Industrial Revenue - Other - 3.4%</b>   |            |              |
| California Statewide Communities Development Authority Facilities (Microgy Holdings Project), 9%, 2038 (a)(d)                      | \$ 25,246  | \$ 252       |
| Gulf Coast, TX, Industrial Development Authority Rev. (CITGO Petroleum Corp.), 8%, 2028  | 250,000    | 250,085      |
| Houston, TX, Industrial Development Corp. (United Parcel Service, Inc.), 6%, 2023  | 310,000    | 290,907      |
| Iowa Finance Authority Midwestern Disaster Area Rev. (Iowa Fertilizer Co.), 5%, 2019   | 135,000    | 130,392      |
| Iowa Finance Authority Midwestern Disaster Area Rev. (Iowa Fertilizer Co.), 5.5%, 2022   | 115,000    | 108,155      |
| Iowa Finance Authority Midwestern Disaster Area Rev. (Iowa Fertilizer Co.), 5.25%, 2025  | 115,000    | 103,065      |
| Liberty, NY, Development Corp. Rev. (Goldman Sachs Headquarters), 5.25%, 2035  | 1,000,000  | 1,049,280    |
| Michigan Strategic Fund Ltd. Obligation Rev. (Michigan Sugar Co., Carrollton), 6.55%, 2025   | 250,000    | 219,335      |
| New Jersey Economic Development Authority Rev. (GMT Realty LLC), B , 6.875%, 2037  | 500,000    | 480,720      |
| Toledo Lucas County, OH, Authority Port Rev., Facilities (CSX, Inc. Project), 6.45%, 2021  | 1,000,000  | 1,180,400    |
|  |            | \$ 3,812,591 |
| <b>Industrial Revenue - Paper - 1.0%</b>   |            |              |
| Escambia County, FL, Environmental Improvement Rev. (International Paper Co.), A , 5.75%, 2027                                     | \$ 250,000 | \$ 249,978   |
| Phenix City, AL, Industrial Development Board Environmental Improvement Rev. (MeadWestvaco Coated Board Project), A , 4.125%, 2035 | 145,000    | 108,588      |
| Rockdale County, GA, Development Authority Project Rev. (Visy Paper Project), A , 6.125%, 2034                                     | 320,000    | 318,979      |
| Sabine River, LA, Water Facilities Authority Rev. (International Paper Co.), 6.2%, 2025  | 310,000    | 311,101      |

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*Portfolio of Investments continued*

| Issuer  | Shares/Par | Value (\$)   |
|---|------------|--------------|
| <b>Municipal Bonds - continued</b>  |            |              |
| <b>Industrial Revenue - Paper - continued</b>   |            |              |
| Valparaiso, IN, Exempt Facilities Rev. (Pratt Paper LLC Project), 7%, 2044                              | \$ 110,000 | \$ 110,702   |
|   |            | \$ 1,099,348 |
| <b>Miscellaneous Revenue - Entertainment &amp; Tourism - 0.7%</b>                                       |            |              |
| Brooklyn, NY, Arena Local Development Corp. (Barclays Center Project), 6%, 2030                         | \$ 200,000 | \$ 210,734   |
| Cow Creek Band of Umpqua Tribe of Indians, OR, C ,<br>5.625%, 2026 (n)                                  | 350,000    | 312,876      |
| Seminole Tribe, FL, Special Obligation Rev., A , 5.75%, 2022 (n)  | 250,000    | 265,268      |
|   |            | \$ 788,878   |
| <b>Miscellaneous Revenue - Other - 4.8%</b>   |            |              |
| Austin, TX, Convention Center (Convention Enterprises, Inc.), A , SYNCORA, 5.25%, 2017                  | \$ 95,000  | \$ 99,522    |
| Austin, TX, Convention Center (Convention Enterprises, Inc.), A , SYNCORA, 5.25%, 2019                  | 190,000    | 199,099      |
| Austin, TX, Convention Center (Convention Enterprises, Inc.), A , SYNCORA, 5.25%, 2020                  | 155,000    | 160,276      |
| Austin, TX, Convention Center (Convention Enterprises, Inc.), A , SYNCORA, 5.25%, 2024                  | 90,000     | 90,733       |
| Chicago, IL, O Hare International Airport Rev., Customer Facility Charge, AGM, 5.25%, 2032              | 70,000     | 70,651       |
| Chicago, IL, O Hare International Airport Rev., Customer Facility Charge, AGM, 5.25%, 2033              | 35,000     | 35,199       |
| Chicago, IL, O Hare International Airport Rev., Customer Facility Charge, AGM, 5.5%, 2043               | 145,000    | 146,334      |
| Cleveland-Cuyahoga County, OH, Port Authority Rev., 7%, 2040  | 95,000     | 100,417      |
| Dallas, TX, Civic Center Convention Complex Rev., ASSD GTY,<br>5.25%, 2034                              | 465,000    | 485,409      |
| Florida Citizens Property Insurance Corp., A-1 , 5%, 2019   | 50,000     | 56,927       |
| Florida Citizens Property Insurance Corp., A-1 , 5%, 2020   | 250,000    | 283,075      |
| Indiana Finance Authority Rev., (Ohio River Bridges East End Crossing Project), A , 5%, 2040            | 350,000    | 314,892      |
| Indiana Finance Authority Rev., (Ohio River Bridges East End Crossing Project), A , 5%, 2044            | 240,000    | 212,026      |
| Massachusetts Port Authority Facilities Rev. (Conrac Project), A , 5.125%, 2041                         | 40,000     | 40,689       |
| Miami-Dade County, FL, Special Obligation, B , 5%, 2035   | 180,000    | 181,136      |
| New Jersey Economic Development Authority Rev. (The Goethals Bridge Replacement Project) , 5.375%, 2043 | 225,000    | 223,191      |
| New Jersey Economic Development Authority Rev. (The Goethals Bridge Replacement Project), 5.5%, 2027    | 40,000     | 42,709       |

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*Portfolio of Investments continued*

| <b>Issuer</b>   | <b>Shares/Par</b> | <b>Value (\$)</b> |
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| <b>Municipal Bonds - continued</b>  |                   |                   |
| <b>Miscellaneous Revenue - Other - continued</b>  |                   |                   |
| New Jersey Economic Development Authority Rev. (The Goethals Bridge Replacement Project), 5%, 2028                      | \$ 40,000         | \$ 40,314         |
| New Jersey Economic Development Authority Rev. (The Goethals Bridge Replacement Project), 5%, 2031                      | 115,000           | 114,603           |
| New Orleans, LA, Aviation Board Gulf Opportunity Zone CFC Rev. (Consolidated Rental Car), A, 6.25%, 2030                | 185,000           | 207,457           |
| New York Liberty Development Corp., Liberty Rev. (One Bryant Park LLC), 6.375%, 2049                                    | 435,000           | 467,094           |
| New York Liberty Development Corp., Liberty Rev. (World Trade Center Project), 5%, 2031                                 | 200,000           | 208,652           |
| New York Liberty Development Corp., Liberty Rev. (World Trade Center Project), 5%, 2044                                 | 500,000           | 502,920           |
| Oklahoma Industries Authority Rev. (Oklahoma Medical Research Foundation Project), 5.5%, 2029                           | 600,000           | 642,186           |
| Summit County, OH, Port Authority Building Rev. (Flats East Development Recovery Zone Facility Bonds), 6.875%, 2040     | 35,000            | 36,986            |
| Summit County, OH, Port Authority Building Rev. (Seville Project), A, 5.1%, 2025  | 365,000           | 344,794           |
| V Lakes Utility District, MS, Water Systems Rev., 7%, 2037  | 85,000            | 84,988            |
|   |                   | \$ 5,392,279      |
| <b>Multi-Family Housing Revenue - 2.9%</b>  |                   |                   |
| Broward County, FL, Housing Finance Authority Rev. (Chaves Lakes Apartments Ltd.), A, 7.5%, 2040                        | \$ 495,000        | \$ 495,208        |
| Capital Trust Agency, FL, Housing Rev. (Atlantic Housing Foundation), B, 7%, 2032 (d)(q)                                | 340,000           | 144,235           |
| Centerline Capital Group, Inc., FHLMC, 6.3%, 2019 (n)   | 500,000           | 563,665           |
| District of Columbia Housing Finance Agency (Henson Ridge), E, FHA, 5.1%, 2019  | 500,000           | 499,995           |
| Durham, NC, Durham Housing Authority Rev. (Magnolia Pointe Apartments), 5.65%, 2038                                     | 360,449           | 330,546           |
| Resolution Trust Corp., Pass-Through Certificates, 1993, FRN, 9.544%, 2016 (z)  | 227,741           | 223,015           |
| Tacoma, WA, Housing Authority Multi-Family Rev. (Redwood/Juniper, Pine Tree Harbor, & Conifer South), GNMA, 5.05%, 2037 | 1,040,000         | 1,011,806         |
|   |                   | \$ 3,268,470      |
| <b>Parking - 0.3%</b>   |                   |                   |
| Boston, MA, Metropolitan Transit Parking Corp., Systemwide Parking Rev., 5.25%, 2036                                    | \$ 285,000        | \$ 301,958        |
| <b>Sales &amp; Excise Tax Revenue - 6.0%</b>  |                   |                   |
| Bolingbrook, IL, Sales Tax Rev., 6.25%, 2024  | \$ 250,000        | \$ 220,380        |
| Chicago, IL, Transit Authority Sales Tax Receipts Rev., 5.25%, 2029   | 155,000           | 161,673           |



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*Portfolio of Investments continued*

| Issuer   | Shares/Par | Value (\$)   |
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| <b>Municipal Bonds - continued</b>   |            |              |
| <b>Sales &amp; Excise Tax Revenue - continued</b>  |            |              |
| Chicago, IL, Transit Authority Sales Tax Receipts Rev., 5.25%, 2030  | \$ 310,000 | \$ 321,039   |
| Chicago, IL, Transit Authority Sales Tax Receipts Rev., 5.25%, 2031  | 60,000     | 61,734       |
| Chicago, IL, Transit Authority Sales Tax Receipts Rev., 5.25%, 2040  | 410,000    | 412,657      |
| Colorado Regional Transportation District, Private Activity Rev. (Denver Transportation Partners), 6.5%, 2030                    | 560,000    | 605,136      |
| Colorado Regional Transportation District, Private Activity Rev. (Denver Transportation Partners), 6%, 2034                      | 480,000    | 496,886      |
| Colorado Regional Transportation District, Sales Tax Rev. (Fastracks Project), A, 5%, 2027                                       | 610,000    | 679,491      |
| Massachusetts Bay Transportation Authority, Sales Tax Rev., A-1, 5.25%, 2029   | 350,000    | 405,202      |
| Massachusetts School Building Authority, Dedicated Sales Tax Rev., B, 5%, 2032   | 720,000    | 771,653      |
| Massachusetts School Building Authority, Dedicated Sales Tax Rev., B, 5%, 2035   | 1,025,000  | 1,084,307    |
| Riverside County Transportation Commission Sales Tax Rev. ( Limited Tax), A, 5.25%, 2039   | 345,000    | 369,764      |
| Tampa Bay, FL, Sports Authority Rev. (Tampa Bay Arena), NATL, 5.75%, 2025  | 1,000,000  | 1,074,000    |
|  |            | \$ 6,663,922 |
| <b>Single Family Housing - Local - 0.5%</b>  |            |              |
| Minneapolis & St. Paul, MN, Housing Authority Rev. (City Living), A-2, GNMA, 5%, 2038  | \$ 75,620  | \$ 75,193    |
| Pittsburgh, PA, Urban Redevelopment Authority Rev., C, GNMA, 4.8%, 2028  | 460,000    | 461,164      |
|  |            | \$ 536,357   |
| <b>Single Family Housing - State - 1.7%</b>  |            |              |
| California Housing Finance Agency Rev. (Home Mortgage), G, 4.95%, 2023   | \$ 430,000 | \$ 430,843   |
| California Housing Finance Agency Rev. (Home Mortgage), G, 5.5%, 2042  | 155,000    | 158,677      |
| Colorado Housing & Finance Authority, A, 5.5%, 2029  | 690,000    | 696,714      |
| Maine Housing Authority Mortgage, A-2, 4.95%, 2027   | 115,000    | 115,039      |
| Montana Board Housing (Single Family Mortgage), A, 5%, 2036  | 445,000    | 442,619      |
|  |            | \$ 1,843,892 |
| <b>Solid Waste Revenue - 0.2%</b>  |            |              |
| Pennsylvania Economic Development Financing Authority, Sewer Sludge Disposal Rev. (Philadelphia Biosolids Facility), 6.25%, 2032 | \$ 260,000 | \$ 255,843   |
| <b>State &amp; Local Agencies - 4.5%</b>   |            |              |
| Alabama Incentives Financing Authority Special Obligation, A, 5%, 2037   | \$ 55,000  | \$ 55,695    |

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| Issuer  | Shares/Par | Value (\$)   |
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| <b>Municipal Bonds - continued</b>  |            |              |
| <b>State &amp; Local Agencies - continued</b>   |            |              |
| California Public Works Board Lease Rev. (Various Capital Projects), I, 5%, 2038  | \$ 400,000 | \$ 399,416   |
| Commonwealth of Pennsylvania, State Public School Building Authority Lease Rev. (School District of Philadelphia Project), 5%, 2028                   | 140,000    | 144,218      |
| Dorchester County, SC, School District No. 2, Growth Remedy Opportunity Tax Hike, 5.25%, 2014 (c)   | 250,000    | 262,425      |
| Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., Enhanced, A, 5%, 2030  | 85,000     | 86,673       |
| Lancaster, SC, Educational Assistance Program, Inc., School District Lancaster County Project, 5%, 2014 (c)   | 550,000    | 575,971      |
| Laurens County, SC, School District No. 55, Installment Purchase Rev., 5.25%, 2030  | 350,000    | 357,959      |
| Massachusetts College Building Authority Rev., C, 3%, 2042  | 75,000     | 53,405       |
| Metropolitan Government of Nashville & Davidson County, TN, Health & Educational Facilities Board Rev. (Meharry Medical College), AMBAC, 6%, 2016     | 1,575,000  | 1,689,723    |
| Mississippi Development Bank Special Obligation (Marshall County Industrial Development Authority Mississippi Highway Construction Project), 5%, 2028 | 105,000    | 112,257      |
| Newberry, SC, Investing in Children's Education (Newberry County School District Program), 5%, 2030   | 350,000    | 362,611      |
| Philadelphia, PA, Municipal Authority Rev., 6.5%, 2034  | 105,000    | 115,155      |
| Riverside, MO, Tax Increment Rev. (L-385 Levee Project), 5.25%, 2020  | 500,000    | 509,005      |
| St. Louis, MO, Industrial Development Authority Leasehold Rev. (Convention Center Hotel), Capital Appreciation, AMBAC, 0%, 2018                       | 300,000    | 261,372      |
|   |            | \$ 4,985,885 |
| <b>Student Loan Revenue - 1.1%</b>  |            |              |
| Iowa Student Loan Liquidity Corp., A-2, 5.5%, 2025  | \$ 145,000 | \$ 145,278   |
| Iowa Student Loan Liquidity Corp., A-2, 5.6%, 2026  | 150,000    | 149,862      |
| Iowa Student Loan Liquidity Corp., A-2, 5.7%, 2027  | 15,000     | 14,986       |
| Iowa Student Loan Liquidity Corp., A-2, 5.75%, 2028   | 265,000    | 262,899      |
| Massachusetts Educational Financing Authority, Education Loan Rev., H, ASSD GTY, 6.35%, 2030  | 295,000    | 307,411      |
| Massachusetts Educational Financing Authority, Education Loan Rev., K, 5.25%, 2029  | 350,000    | 352,387      |
|   |            | \$ 1,232,823 |
| <b>Tax - Other - 0.9%</b>   |            |              |
| Dallas County, TX, Flood Control District, 7.25%, 2032  | \$ 500,000 | \$ 500,660   |
| Hudson Yards, NY, Infrastructure Corp. Rev., A, 5.75%, 2047   | 350,000    | 373,293      |
| Virgin Islands Public Finance Authority Rev. (Diageo Project), A, 6.75%, 2037   | 160,000    | 173,146      |
|   |            | \$ 1,047,099 |

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| <b>Issuer</b>  | <b>Shares/Par</b> | <b>Value (\$)</b> |
|--|-------------------|-------------------|
| <b>Municipal Bonds - continued</b>   |                   |                   |
| <b>Tax Assessment - 2.3%</b>   |                   |                   |
| Atlanta, GA, Tax Allocation (Eastside Project), A , 5.625%, 2016   | \$ 125,000        | \$ 133,359        |
| Chicago, IL, Tax Increment Allocation (Pilsen Redevelopment), B , 6.75%, 2022  | 610,000           | 620,181           |
| Du Page County, IL, Special Service Area (Monarch Landing Project), 5.4%, 2016   | 112,000           | 114,839           |
| Embrey Mill Community Development Authority, VA, Special Assessment Rev., 7.25%, 2043  | 165,000           | 157,489           |
| Heritage Harbour North Community Development District, FL, Capital Improvement Rev., 6.375%, 2038  | 130,000           | 120,405           |
| Lincolnshire, IL, Special Service Area No. 1 (Sedgebrook Project), 6.25%, 2034   | 202,000           | 204,454           |
| Plano, IL, Special Service Area No. 4 (Lakewood Springs Project Unit 5-B), 6%, 2035  | 703,000           | 683,295           |
| Seven Oaks, FL, Community Development District II Special Assessment Rev., A , 5.875%, 2035  | 425,000           | 350,982           |
| Westridge, FL, Community Development District, Capital Improvement Rev., 5.8%, 2037 (a)(d)   | 480,000           | 182,400           |
|  |                   | \$ 2,567,404      |
| <b>Tobacco - 4.9%</b>  |                   |                   |
| Illinois Railsplitter Tobacco Settlement Authority, 5.5%, 2023   | \$ 150,000        | \$ 167,007        |
| Illinois Railsplitter Tobacco Settlement Authority, 6%, 2028   | 1,145,000         | 1,253,958         |
| New Jersey Tobacco Settlement Financing Corp., 1-A , 4.5%, 2023  | 1,440,000         | 1,332,605         |
| New Jersey Tobacco Settlement Financing Corp., 1-A , 4.75%, 2034   | 1,850,000         | 1,343,119         |
| New Jersey Tobacco Settlement Financing Corp., 1-A , 5%, 2041  | 1,835,000         | 1,318,925         |
|  |                   | \$ 5,415,614      |
| <b>Toll Roads - 4.4%</b>   |                   |                   |
| Mid-Bay Bridge Authority, FL, Springing Lien Rev., A , 7.25%, 2040   | \$ 175,000        | \$ 191,105        |
| North Texas Tollway Authority Rev., 6%, 2038   | 620,000           | 676,581           |
| North Texas Tollway Authority Rev. (Special Projects System), D , 5%, 2031   | 1,000,000         | 1,065,270         |
| San Joaquin Hills, CA, Transportation Corridor Agency, Toll Road Rev., Capital Appreciation, A , NATL, 0%, 2015                                    | 2,000,000         | 1,925,860         |
| Texas Private Activity Surface Transportation Corp. Senior Lien Rev. (NTE Mobility Partners Segments 3 LLC Segments 3A & 3B Facility), 7%, 2038    | 115,000           | 123,640           |
| Texas Private Activity Surface Transportation Corp. Senior Lien Rev. (NTE Mobility Partners Segments 3 LLC Segments 3A & 3B Facility), 6.75%, 2043 | 95,000            | 99,686            |
| Triborough Bridge & Tunnel Authority Rev., NY, Capital Appreciation, A , 0%, 2029  | 1,125,000         | 536,209           |

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*Portfolio of Investments continued*

| Issuer  | Shares/Par   | Value (\$)   |
|---|--------------|--------------|
| <b>Municipal Bonds - continued</b>  |              |              |
| <b>Toll Roads - continued</b>   |              |              |
| Virginia Small Business Financing Authority Rev. (Elizabeth River Crossings Opco LLC Project), 5.5%, 2042         | \$ 275,000   | \$ 268,081   |
|   |              | \$ 4,886,432 |
| <b>Transportation - Special Tax - 8.4%</b>  |              |              |
| Arizona Transportation Board Highway Rev., B, 5%, 2031  | \$ 1,000,000 | \$ 1,067,240 |
| Commonwealth of Massachusetts Transportation Fund Rev. (Accelerated Bridge Program), A, 5%, 2038                  | 1,000,000    | 1,060,190    |
| Kentucky Turnpike Authority, Economic Development Rev., A, 5%, 2030   | 1,000,000    | 1,064,090    |
| New Jersey Transportation Trust Fund Authority, AA, 4%, 2031  | 1,080,000    | 1,048,151    |
| North Carolina Turnpike Authority, Monroe Connector System State Appropriation Rev., 5%, 2036                     | 2,000,000    | 2,114,800    |
| Regional Transportation Authority, IL, C, FGIC, 7.75%, 2020   | 1,000,000    | 1,182,460    |
| State of Connecticut, Special Tax Obligation Rev., A, 5%, 2028  | 405,000      | 443,192      |
| State of Connecticut, Special Tax Obligation Rev., A, 5%, 2029  | 405,000      | 439,680      |
| State of Connecticut, Special Tax Obligation Rev., A, 5%, 2030  | 385,000      | 414,934      |
| State of Hawaii, Highway Rev., A, 5%, 2030  | 305,000      | 328,918      |
| State of Hawaii, Highway Rev., A, 5%, 2031  | 120,000      | 128,635      |
| State of Hawaii, Highway Rev., A, 5%, 2032  | 80,000       | 85,358       |
|   |              | \$ 9,377,648 |
| <b>Universities - Colleges - 23.7%</b>  |              |              |
| California Educational Facilities Authority Rev. (California Lutheran University), 5.75%, 2038                    | \$ 350,000   | \$ 360,651   |
| California Educational Facilities Authority Rev. (Chapman University), 5%, 2031                                   | 135,000      | 139,590      |
| California Educational Facilities Authority Rev. (University of San Francisco), 6.125%, 2036                      | 75,000       | 85,074       |
| California Educational Facilities Authority Rev. (University of Southern California), A, 5.25%, 2038              | 535,000      | 567,908      |
| California Municipal Finance Authority Rev. (Biola University), 5.8%, 2028  | 100,000      | 105,654      |
| California Municipal Finance Authority Rev. (University of La Verne), A, 6.25%, 2040                              | 70,000       | 75,160       |
| California State University Rev., A, 5%, 2037   | 805,000      | 831,501      |
| Collier County, FL, Educational Facilities Authority Rev. (Ave Maria University, Inc. Project), A, 6.125%, 2043   | 320,000      | 317,622      |
| District of Columbia Rev. (Georgetown University), Convertible Capital Appreciation, BHAC, 0% to 2018, 5% to 2040 | 1,430,000    | 1,064,721    |
| Douglas County, NE, Educational Facilities Rev. (Creighton University), A, 5.875%, 2040                           | 645,000      | 685,164      |
| Grand Valley, MI, State University Rev., 5.5%, 2027   | 115,000      | 123,783      |
| Grand Valley, MI, State University Rev., 5.625%, 2029   | 55,000       | 58,988       |

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

| <b>Issuer</b>  | <b>Shares/Par</b> | <b>Value (\$)</b> |
|--|-------------------|-------------------|
| <b>Municipal Bonds - continued</b>   |                   |                   |
| <b>Universities - Colleges - continued</b>   |                   |                   |
| Hempstead, NY, Local Development Corp. Rev. (Hofstra University Project), 5%, 2025                           | \$ 130,000        | \$ 141,969        |
| Hempstead, NY, Local Development Corp. Rev. (Hofstra University Project), 5%, 2026                           | 95,000            | 102,960           |
| Hempstead, NY, Local Development Corp. Rev. (Hofstra University Project), 5%, 2028                           | 20,000            | 21,390            |
| Illinois Finance Authority Rev. (Illinois Institute of Technology), A, 5%, 2031                              | 335,000           | 293,289           |
| Illinois Finance Authority Rev. (Illinois Institute of Technology), A, 5%, 2036                              | 335,000           | 283,859           |
| Illinois Finance Authority Rev. (Roosevelt University Project), 6.25%, 2029                                  | 545,000           | 558,543           |
| Indiana University Rev., A, 5%, 2032   | 45,000            | 48,448            |
| Marietta, GA, Development Facilities Authority Rev. (Life University), 7%, 2030                              | 100,000           | 102,246           |
| Marietta, GA, Development Facilities Authority Rev. (Life University), 7%, 2039                              | 100,000           | 99,643            |
| Massachusetts Health & Educational Facilities Authority Rev. (Simmons College), 8%, 2015 (c)                 | 90,000            | 102,603           |
| Massachusetts Health & Educational Facilities Authority Rev. (Simmons College), 8%, 2029                     | 135,000           | 147,447           |
| Massachusetts Health & Educational Facilities Authority Rev. (Suffolk University), A, 6.25%, 2030            | 415,000           | 447,262           |
| Miami-Dade County, FL, Educational Facilities Authority Rev. (University of Miami), A, 5.75%, 2028           | 125,000           | 133,298           |
| New Jersey Educational Facilities Authority Rev. (University of Medicine & Dentistry), B, 7.5%, 2019 (c)     | 460,000           | 605,544           |
| New York Dormitory Authority Rev. (Columbia University), 5%, 2038 (u)  | 15,000,000        | 15,858,600        |
| Private Colleges & Universities Authority Rev., GA, (Emory University), A, 5%, 2043                          | 490,000           | 515,617           |
| San Leanna, TX, Educational Facilities Corp., Higher Education Rev. (St. Edwards University), 5.125%, 2036   | 115,000           | 108,623           |
| Texas Tech University Rev., Refunding & Improvement, A, 5%, 2030   | 175,000           | 188,650           |
| Texas Tech University Rev., Refunding & Improvement, A, 5%, 2031   | 75,000            | 80,384            |
| Texas Tech University Rev., Refunding & Improvement, A, 5%, 2032   | 75,000            | 79,871            |
| Tulsa, OK, Industrial Authority Rev. (University of Tulsa), 6%, 2027   | 535,000           | 587,746           |
| University of Southern Indiana Rev. (Student Fee), J, ASSD GTY, 5.75%, 2028                                  | 210,000           | 239,440           |
| University of Southern Mississippi Educational Building Corp. Rev. (Campus Facilities Project), 5.25%, 2032  | 190,000           | 202,869           |
| University of Southern Mississippi Educational Building Corp. Rev. (Campus Facilities Project), 5.375%, 2036 | 65,000            | 69,027            |

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

| <b>Issuer</b>  | <b>Shares/Par</b> | <b>Value (\$)</b> |
|--|-------------------|-------------------|
| <b>Municipal Bonds - continued</b>   |                   |                   |
| <b>Universities - Colleges - continued</b>   |                   |                   |
| Waco Education Finance Corp. Rev. (Baylor University), 5%, 2043  | \$ 675,000        | \$ 685,429        |
| Washington Higher Education Facilities Authority Rev. (Whitworth University), 5.875%, 2034                               | 225,000           | 231,959           |
|  |                   | \$ 26,352,532     |
| <b>Universities - Dormitories - 1.6%</b>   |                   |                   |
| Bowling Green, OH, Student Housing Rev. (State University Project), 6%, 2045   | \$ 285,000        | \$ 292,533        |
| California Statewide Communities Development Authority Rev. (Lancer Educational Student Housing Project), 5.625%, 2033   | 500,000           | 467,195           |
| California Statewide Communities Development Authority Rev. (Student Housing, SUCI East Campus), 6%, 2040                | 220,000           | 226,285           |
| Illinois Finance Authority Student Housing Rev. (Northern Illinois University Project), 6.625%, 2031                     | 390,000           | 425,318           |
| Pennsylvania Higher Educational Facilities Authority Rev. (East Stroudsburg University), 5%, 2042                        | 200,000           | 177,030           |
| Pennsylvania Higher Educational Facilities Authority Rev. (Edinboro University Foundation), 5.8%, 2030                   | 65,000            | 64,587            |
| Pennsylvania Higher Educational Facilities Authority Rev. (Edinboro University Foundation), 6%, 2043                     | 85,000            | 82,368            |
|  |                   | \$ 1,735,316      |
| <b>Universities - Secondary Schools - 1.6%</b>   |                   |                   |
| Clifton, TX, Higher Education Finance Corp. Rev. (Uplift Education), A, 6.125%, 2040                                     | \$ 100,000        | \$ 103,353        |
| Clifton, TX, Higher Education Finance Corp. Rev. (Uplift Education), A, 6.25%, 2045                                      | 70,000            | 72,032            |
| Colorado Educational & Cultural Facilities Authority Rev. (Academy of Charter Schools Project), 5.625%, 2040             | 230,000           | 234,883           |
| Colorado Educational & Cultural Facilities Authority Rev. (Montessori Charter School Project), 5%, 2037                  | 40,000            | 37,724            |
| District of Columbia Rev. (Kipp, D.C. Charter School), A, 6%, 2043   | 105,000           | 107,606           |
| District of Columbia Rev. (Kipp, D.C. Charter School), A, 6%, 2033   | 40,000            | 41,713            |
| La Vernia, TX, Higher Education Finance Corp. Rev. (KIPP, Inc.), A, 6.25%, 2039  | 150,000           | 158,802           |
| La Vernia, TX, Higher Education Finance Corp. Rev. (Lifeschool of Dallas), A, 7.5%, 2041                                 | 385,000           | 428,959           |
| North Texas Education Finance Corp., Education Rev. (Uplift Education), A, 4.875%, 2032                                  | 60,000            | 58,299            |
| North Texas Education Finance Corp., Education Rev. (Uplift Education), A, 5.125%, 2042                                  | 150,000           | 139,640           |
| Philadelphia Authority for Industrial Development Rev. (Philadelphia Performing Arts Charter School Project), 6.5%, 2033 | 180,000           | 178,229           |

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*Portfolio of Investments continued*

| Issuer   | Shares/Par | Value (\$)   |
|--|------------|--------------|
| <b>Municipal Bonds - continued</b>   |            |              |
| <b>Universities - Secondary Schools - continued</b>  |            |              |
| Philadelphia, PA, Authority for Industrial Development Rev. (Philadelphia Performing Arts Charter School Project), 6.75%, 2043                             | \$ 140,000 | \$ 138,407   |
| Philadelphia, PA, Authority for Industrial Development Rev. (Tacony Academy Charter School Project), A-1 , 7%, 2043  | 100,000    | 100,134      |
|  |            | \$ 1,799,781 |
| <b>Utilities - Cogeneration - 0.4%</b>   |            |              |
| Pennsylvania Economic Development Financing Authority Rev., Resource Recovery Rev. (Colver), G , 5.125%, 2015  | \$ 125,000 | \$ 125,386   |
| Puerto Rico Industrial, Tourist, Educational, Medical & Environmental Central Facilities (Cogeneration Facilities - AES Puerto Rico Project), 6.625%, 2026 | 320,000    | 282,880      |
|  |            | \$ 408,266   |
| <b>Utilities - Investor Owned - 4.5%</b>   |            |              |
| Brazos River Authority, TX, Pollution Control Rev. (TXU Electric Co. LLC), C , 6.75%, 2038   | \$ 270,000 | \$ 10,125    |
| Chula Vista, CA, Industrial Development Rev. (San Diego Gas & Electric Co.), E , 5.875%, 2034  | 195,000    | 210,672      |
| Farmington, NM, Pollution Control Rev. (Public Service New Mexico), D , 5.9%, 2040   | 400,000    | 419,296      |
| Hawaii Department of Budget & Finance Special Purpose Rev. (Hawaiian Electric Co. & Subsidiary), 6.5%, 2039  | 410,000    | 447,486      |
| Massachusetts Development Finance Agency, Solid Waste Disposal Rev. (Dominion Energy Brayton), 5.75%, 2019 (c)   | 70,000     | 86,134       |
| Matagorda County, TX, Navigation District 1 (Houston Lighting), AMBAC, 5.125%, 2028  | 2,000,000  | 2,077,220    |
| Mississippi Business Finance Corp., Pollution Control Rev. (Systems Energy Resources Project), 5.875%, 2022  | 1,000,000  | 1,000,420    |
| New Hampshire Business Finance Authority, Pollution Control Rev. (Public Service of New Hampshire), B , NATL, 4.75%, 2021                                  | 250,000    | 255,578      |
| Pima County, AZ, Industrial Development Authority Rev. (Tucson Electric Power Co.), 5.75%, 2029  | 485,000    | 490,083      |
|  |            | \$ 4,997,014 |
| <b>Utilities - Municipal Owned - 3.4%</b>  |            |              |
| Georgia Municipal Electric Authority Power Rev., GG , 5%, 2026   | \$ 225,000 | \$ 248,463   |
| Los Angeles, CA, Department of Water & Power Rev. (Power System), B , 5%, 2038   | 285,000    | 294,830      |
| Metropolitan Government of Nashville & Davidson County, TN, Electric Rev., A , 5%, 2036  | 1,000,000  | 1,054,610    |
| New York Power Authority Rev., A , 5%, 2038  | 1,000,000  | 1,054,940    |
| Sacramento, CA, Municipal Utility District, X , 5%, 2028   | 335,000    | 362,289      |
| South Carolina Public Service Authority Rev., A , 5.125%, 2043   | 215,000    | 218,107      |

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*Portfolio of Investments continued*

| Issuer  | Shares/Par | Value (\$)   |
|---|------------|--------------|
| <b>Municipal Bonds - continued</b>  |            |              |
| <b>Utilities - Municipal Owned - continued</b>  |            |              |
| South Carolina Public Service Authority Rev., B , 5.125%, 2043  | \$ 515,000 | \$ 521,628   |
|   |            | \$ 3,754,867 |
| <b>Utilities - Other - 3.2%</b>   |            |              |
| Georgia Main Street Natural Gas, Inc., Gas Project Rev., A , 5.5%, 2026   | \$ 120,000 | \$ 127,709   |
| Georgia Main Street Natural Gas, Inc., Gas Project Rev., A , 5.5%, 2028   | 250,000    | 263,468      |
| Indiana Bond Bank Special Program, Gas Rev., A , 5.25%, 2018  | 190,000    | 210,113      |
| Public Authority for Colorado Energy Natural Gas Purchase Rev., 6.5%, 2038  | 425,000    | 498,398      |
| Salt Verde Financial Corp., AZ, Senior Gas Rev., 5%, 2032   | 795,000    | 778,774      |
| Tennessee Energy Acquisition Corp., Gas Rev., A , 5.25%, 2017   | 180,000    | 197,908      |
| Tennessee Energy Acquisition Corp., Gas Rev., A , 5.25%, 2022   | 205,000    | 221,691      |
| Tennessee Energy Acquisition Corp., Gas Rev., A , 5.25%, 2023   | 300,000    | 321,972      |
| Tennessee Energy Acquisition Corp., Gas Rev., A , 5.25%, 2026   | 610,000    | 641,244      |
| Tennessee Energy Acquisition Corp., Gas Rev., C , 5%, 2025  | 185,000    | 191,717      |
| Texas Gas Acquisition & Supply Corp III., Gas Supply Rev., 5%, 2031   | 135,000    | 130,941      |
|   |            | \$ 3,583,935 |
| <b>Water &amp; Sewer Utility Revenue - 12.6%</b>  |            |              |
| Atlanta, GA, Water & Wastewater Rev., A , 6%, 2022  | \$ 290,000 | \$ 341,759   |
| California Department of Water Resources, Center Valley Project Rev., AJ , 5%, 2035   | 1,000,000  | 1,068,530    |
| Clarksville, TN, Water, Sewer & Gas Rev., 5%, 2038  | 1,000,000  | 1,033,340    |
| Commonwealth of Puerto Rico Aqueduct & Sewer Authority Rev., A , 6%, 2038   | 505,000    | 364,413      |
| Commonwealth of Puerto Rico Aqueduct & Sewer Authority Rev., A , 6%, 2044   | 20,000     | 14,396       |
| DeKalb County, GA, Water & Sewer Rev., A , 5.25%, 2028  | 125,000    | 137,785      |
| DeKalb County, GA, Water & Sewer Rev., A , 5.25%, 2029  | 120,000    | 131,251      |
| DeKalb County, GA, Water & Sewer Rev., A , 5.25%, 2030  | 75,000     | 81,452       |
| DeKalb County, GA, Water & Sewer Rev., A , 5.25%, 2031  | 15,000     | 16,196       |
| DeKalb County, GA, Water & Sewer Rev., A , 5.25%, 2041  | 340,000    | 357,558      |
| Detroit, MI, Sewage Disposal System Rev., Senior Lien, A , 5.25%, 2039  | 460,000    | 425,886      |
| East Bay, CA, Municipal Utility District, Water System Rev., A , 5%, 2028   | 1,500,000  | 1,670,145    |
| Fulton County, GA, Water & Sewer Rev., 5%, 2026   | 320,000    | 353,856      |
| Fulton County, GA, Water & Sewer Rev., 5%, 2027   | 215,000    | 235,756      |
| Indiana Finance Authority Rev. (State Revolving Fund Program), A , 5%, 2029   | 1,000,000  | 1,101,880    |
| Jackson, MI, Mississippi Development Bank Special Obligation (MI Water and Sewer System Rev. Bond Project), AGM, 6.875%, 2040 | 90,000     | 107,933      |



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

| <b>Issuer</b>  | <b>Shares/Par</b> | <b>Value (\$)</b>     |
|--|-------------------|-----------------------|
| <b>Municipal Bonds - continued</b>   |                   |                       |
| <b>Water &amp; Sewer Utility Revenue - continued</b>   |                   |                       |
| Jefferson County, AL, Sewer Rev. Warrants, D , 5%, 2015  | \$ 10,000         | \$ 10,466             |
| Jefferson County, AL, Sewer Rev. Warrants, D , 5%, 2016  | 20,000            | 21,270                |
| Jefferson County, AL, Sewer Rev. Warrants, D , 5%, 2017  | 25,000            | 26,887                |
| Jefferson County, AL, Sewer Rev. Warrants, D , 5%, 2018  | 30,000            | 32,465                |
| Jefferson County, AL, Sewer Rev. Warrants, D , 5%, 2021  | 35,000            | 36,422                |
| Jefferson County, AL, Sewer Rev. Warrants, D , 5%, 2023  | 45,000            | 46,300                |
| Jefferson County, AL, Sewer Rev. Warrants, Capital Appreciation, B , 0%, 2025                                | 5,000             | 2,666                 |
| Jefferson County, AL, Sewer Rev. Warrants, Capital Appreciation, B , AGM, 0%, 2026                           | 95,000            | 46,610                |
| Jefferson County, AL, Sewer Rev. Warrants, Capital Appreciation, B , AGM, 0%, 2029                           | 135,000           | 52,485                |
| Jefferson County, AL, Sewer Rev. Warrants, Capital Appreciation, B , AGM, 0%, 2034                           | 190,000           | 50,551                |
| Jefferson County, AL, Sewer Rev. Warrants, Capital Appreciation, B , AGM, 0%, 2035                           | 365,000           | 89,983                |
| Lehigh County, PA, Water and Sewer Authority Rev. (Allentown Concession), A , 5%, 2043                       | 900,000           | 891,711               |
| Lehigh County, PA, Water and Sewer Authority Rev. (Allentown Concession), Capital Appreciation, B , 0%, 2036 | 940,000           | 230,911               |
| Lehigh County, PA, Water and Sewer Authority Rev. (Allentown Concession), Capital Appreciation, B , 0%, 2037 | 760,000           | 173,607               |
| Massachusetts Water Resources Authority, B , AGM, 5.25%, 2029  | 600,000           | 690,408               |
| New York Environmental Facilities Corp., Municipal Water Finance Authority Project, 5%, 2025                 | 200,000           | 227,504               |
| New York Environmental Facilities, C , 5%, 2041  | 255,000           | 267,260               |
| New York, NY, Municipal Water Finance Authority, Water & Sewer System Rev., AA , 5%, 2034                    | 1,610,000         | 1,693,462             |
| North Texas Municipal Water District, Water System Rev., Refunding and Improvement, 4%, 2031                 | 1,000,000         | 982,480               |
| Philadelphia, PA, Water & Wastewater Rev., A , 5%, 2036  | 1,000,000         | 1,014,840             |
|  |                   | \$ 14,030,424         |
| <b>Total Municipal Bonds (Identified Cost, \$151,784,096)</b>  |                   | <b>\$ 155,294,103</b> |
| <b>Floating Rate Demand Notes - 5.0%</b>   |                   |                       |
| Lincoln County, WY, Pollution Control Rev. (Exxon Mobil Corp.), B , 0.04%, due 12/02/13, at Cost and Value   | \$ 5,600,000      | \$ 5,600,000          |
| <b>Total Investments (Identified Cost, \$157,384,096)</b>  |                   | <b>\$ 160,894,103</b> |
| <b>Other Assets, Less Liabilities - (0.7)%</b>   |                   | (744,819)             |
| <b>ARPS, at liquidation value (issued by the fund) - (0.7)%</b>  |                   | (825,000)             |
| <b>VMTPS, at liquidation value (issued by the fund) - (43.0)%</b>  |                   | (47,925,000)          |
| <b>Net assets applicable to common shares - 100.0%</b>   |                   | <b>\$ 111,399,284</b> |

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*Portfolio of Investments continued*

- (a) Non-income producing security.
- (b) Mandatory tender date is earlier than stated maturity date.
- (c) Refunded bond.
- (d) In default. Interest and/or scheduled principal payment(s) have been missed.
- (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 \$1,141,809 representing 1.0% of net assets applicable to common shares.
- (q) Interest received was less than stated coupon rate.
- (u) Underlying security deposited into special purpose trust ( the trust ) by investment banker upon creation of self-deposited inverse floaters.
- (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:

| Restricted Securities  | Acquisition |           |           |
|--|-------------|-----------|-----------|
|  | Date        | Cost      | Value     |
| Resolution Trust Corp., Pass-Through Certificates, 1993, FRN, 9.544%, 2016 | 8/27/93     | \$228,926 | \$223,015 |
| % of Net assets applicable to common shares                                |             |           | 0.2%      |

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

- ARPS Auction Rate Preferred Shares
- COP Certificate of Participation
- FRN Floating Rate Note. Interest rate resets periodically and may not be the rate reported at period end.
- LOC Letter of Credit
- VMTPS Variable Rate Municipal Term Preferred Shares

**Insurers**

|          |   |
|----------|---|
| AGM      | Assured Guaranty Municipal              |
| AMBAC    | AMBAC Indemnity Corp.                   |
| ASSD GTY | Assured Guaranty Insurance Co.          |
| BHAC     | Berkshire Hathaway Assurance Corp.      |
| CALHF    | California Housing Finance Agency       |
| FGIC     | Financial Guaranty Insurance Co.        |
| FHA      | Federal Housing Administration          |
| FHLMC    | Federal Home Loan Mortgage Corp.        |
| GNMA     | Government National Mortgage Assn.      |
| NATL     | National Public Finance Guarantee Corp. |
| SYNCORA  | Syncora Guarantee Inc.                  |

**Derivative Contracts at 11/30/13**

**Futures Contracts Outstanding at 11/30/13**

| Description | Currency | Contracts | Value | Expiration Date | Unrealized                  |
|-------------|----------|-----------|-------|-----------------|-----------------------------|
|             |          |           |       |                 | Appreciation (Depreciation) |

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**Asset Derivatives**

***Interest Rate Futures***

|                                  |     |    |              |              |          |
|----------------------------------|-----|----|--------------|--------------|----------|
| U.S. Treasury Note 10 yr (Short) | USD | 90 | \$11,283,750 | March - 2014 | \$34,010 |
|----------------------------------|-----|----|--------------|--------------|----------|

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*Portfolio of Investments continued*

**Futures Contracts Outstanding at 11/30/13 - continued**

| Description                      | Currency | Contracts | Value       | Expiration<br>Date | Unrealized                     |
|----------------------------------|----------|-----------|-------------|--------------------|--------------------------------|
|                                  |          |           |             |                    | Appreciation<br>(Depreciation) |
| <b>Liability Derivatives</b>     |          |           |             |                    |                                |
| <b>Interest Rate Futures</b>     |          |           |             |                    |                                |
| U.S. Treasury Bond 30 yr (Short) | USD      | 31        | \$4,053,250 | March - 2014       | \$(3,499)                      |

At November 30, 2013, the fund had cash collateral of \$210,250 to cover any commitments for certain derivative contracts. Cash collateral is comprised of Deposits with brokers in the Statement of Assets and Liabilities.

**See Notes to Financial Statements**

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

At 11/30/13

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

|   |                      |
|---|----------------------|
| <b>Assets</b>   |                      |
| Investments, at value (identified cost, \$157,384,096)  | \$160,894,103        |
| Cash  | 3,834,219            |
| Deposits with brokers   | 210,250              |
| Receivables for   |                      |
| Daily variation margin on open futures contracts  | 9,844                |
| Investments sold  | 722,672              |
| Interest  | 2,523,930            |
| Deferred VMTPS offering costs   | 82,997               |
| Other assets  | 1,894                |
| <b>Total assets</b>   | <b>\$168,279,909</b> |
| <b>Liabilities</b>  |                      |
| Payables for  |                      |
| Distributions on common shares  | \$27,750             |
| Distributions on ARPS   | 14                   |
| Investments purchased   | 409,555              |
| Interest expense and fees   | 70,117               |
| Payable to the holders of the floating rate certificates from trust assets  | 7,515,825            |
| Payable to affiliates   |                      |
| Investment adviser  | 11,383               |
| Transfer agent and dividend disbursing costs  | 1,058                |
| Payable for independent Trustees' compensation  | 24                   |
| Accrued expenses and other liabilities  | 94,899               |
| VMTPS, at liquidation value   | 47,925,000           |
| <b>Total liabilities</b>  | <b>\$56,055,625</b>  |
| ARPS, at liquidation value  | \$825,000            |
| Net assets applicable to common shares  | \$111,399,284        |
| <b>Net assets consist of</b>  |                      |
| Paid-in capital - common shares   | \$128,656,565        |
| Unrealized appreciation (depreciation) on investments   | 3,540,518            |
| Accumulated net realized gain (loss) on investments   | (21,060,943)         |
| Undistributed net investment income   | 263,144              |
| Net assets applicable to common shares  | \$111,399,284        |
| ARPS, at liquidation value (33 shares of Series M issued and outstanding at \$25,000 per share)                       | \$825,000            |
| VMTPS, at liquidation value (1,917 shares of Series 2016/9 issued and outstanding at \$25,000 per share)              | 47,925,000           |
| Total preferred shares  | \$48,750,000         |
| Net assets including preferred shares   | \$160,149,284        |
| Common shares of beneficial interest issued and outstanding   | 11,586,957           |
| Net asset value per common share (net assets of \$111,399,284 / 11,586,957 shares of beneficial interest outstanding) | \$9.61               |

**See Notes to Financial Statements**

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

Year ended 11/30/13

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

|   |                |
|---|----------------|
| <b>Net investment income</b>                              |                |
| Income  |                |
| Interest  | \$8,635,683    |
| Dividends from underlying affiliated funds                | 1,896          |
| Total investment income                                   | \$8,637,579    |
| Expenses  |                |
| Management fee  | \$1,087,560    |
| Transfer agent and dividend disbursing costs              | 14,668         |
| Administrative services fee                               | 31,854         |
| Independent Trustees' compensation                        | 17,045         |
| Stock exchange fee  | 23,886         |
| ARPS service fee  | 1,239          |
| Custodian fee   | 18,866         |
| Shareholder communications                                | 26,422         |
| Audit and tax fees  | 82,544         |
| Legal fees  | 2,629          |
| Amortization of VMTPS offering costs                      | 29,356         |
| Interest expense and fees                                 | 692,882        |
| Miscellaneous   | 88,976         |
| Total expenses  | \$2,117,927    |
| Fees paid indirectly                                      | (83)           |
| Reduction of expenses by investment adviser               | (33,776)       |
| Net expenses  | \$2,084,068    |
| Net investment income                                     | \$6,553,511    |
| <b>Realized and unrealized gain (loss) on investments</b> |                |
| Realized gain (loss) (identified cost basis)              |                |
| Investments   | \$(1,030,378)  |
| Futures contracts   | 704,631        |
| Net realized gain (loss) on investments                   | \$(325,747)    |
| Change in unrealized appreciation (depreciation)          |                |
| Investments   | \$(15,465,029) |
| Futures contracts   | 61,591         |
| Net unrealized gain (loss) on investments                 | \$(15,403,438) |
| Net realized and unrealized gain (loss) on investments    | \$(15,729,185) |
| Distributions declared to shareholders of ARPS            | \$(1,423)      |
| Change in net assets from operations                      | \$(9,177,097)  |
| <b>See Notes to Financial Statements</b>                  |                |

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

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

|   | <b>Years ended 11/30</b> |               |
|---|--------------------------|---------------|
|   | <b>2013</b>              | <b>2012</b>   |
| <b>Change in net assets</b>   |                          |               |
| <b>From operations</b>  |                          |               |
| Net investment income   | \$6,553,511              | \$7,055,107   |
| Net realized gain (loss) on investments   | (325,747)                | 220,195       |
| Net unrealized gain (loss) on investments   | (15,403,438)             | 14,763,393    |
| Distributions declared to shareholders of ARPS  | (1,423)                  | (94,795)      |
| Change in net assets from operations  | \$(9,177,097)            | \$21,943,900  |
| <b>Distributions declared to common shareholders</b>  |                          |               |
| From net investment income  | \$(6,396,201)            | \$(7,273,429) |
| <b>Share transactions applicable to common and preferred shares</b>                                       |                          |               |
| Net asset value of shares issued to common shareholders in reinvestment of distributions                  | \$                       | \$461,258     |
| Net increase resulting from the tender and repurchase of ARPS   |                          | 2,396,250     |
| Change in net assets from fund share transactions   | \$                       | \$2,857,508   |
| Total change in net assets  | \$(15,573,298)           | \$17,527,979  |
| <b>Net assets applicable to common shares</b>   |                          |               |
| At beginning of period  | 126,972,582              | 109,444,603   |
| At end of period (including undistributed net investment income of \$263,144 and \$269,896, respectively) | \$111,399,284            | \$126,972,582 |
| <b>See Notes to Financial Statements</b>  |                          |               |

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

Year ended 11/30/13

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

|  |               |
|--|---------------|
| <b>Cash flows from operating activities:</b>   |               |
| Change in net assets from operations   | \$(9,177,097) |
| Distributions to shareholders of ARPS  | 1,423         |
| Change in net assets from operations excluding distributions declared to shareholders of ARPS                      | \$(9,175,674) |
| <b>Adjustments to reconcile change in net assets from operations to net cash provided by operating activities:</b> |               |
| Purchase of investment securities  | (39,581,160)  |
| Proceeds from disposition of investment securities   | 40,497,156    |
| Proceeds from futures contracts  | 704,631       |
| Proceeds from disposition of short-term investments, net   | 2,279,191     |
| Realized gain/loss on investments  | 1,030,378     |
| Realized gain/loss on futures contracts  | (704,631)     |
| Unrealized appreciation/depreciation on investments  | 15,465,029    |
| Net amortization/accretion of income   | (191,449)     |
| Amortization of VMTPS offering costs   | 29,356        |
| Decrease in interest receivable  | 125,417       |
| Increase in accrued expenses and other liabilities   | 687           |
| Increase in receivable for daily variation margin on open futures contracts  | (9,844)       |
| Decrease in payable for daily variation margin on open futures contracts   | (14,688)      |
| Increase in deposits with brokers  | (210,250)     |
| Decrease in other assets   | 1,937         |
| Decrease in payable for interest expense and fees  | (8,231)       |
| Net cash provided by operating activities  | \$10,237,855  |
| <b>Cash flows from financing activities:</b>   |               |
| Payment of VMTPS offering costs  | (17,434)      |
| Cash distributions paid on common shares   | (6,368,462)   |
| Cash distributions paid on ARPS  | (1,434)       |
| Payment of ARPS tender and repurchase costs  | (16,306)      |
| Net cash used by financing activities  | \$(6,403,636) |
| Net increase in cash   | \$3,834,219   |
| <b>Cash:</b>   |               |
| Beginning of period  | \$            |
| End of period  | \$3,834,219   |
| Supplemental disclosure of cash flow information:  |               |

Cash paid during the year ended November 30, 2013 for interest was \$701,113.

**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.

| <b>Common Shares</b>  | <b>Years ended 11/30</b> |             |             |             |             |
|---|--------------------------|-------------|-------------|-------------|-------------|
|   | <b>2013</b>              | <b>2012</b> | <b>2011</b> | <b>2010</b> | <b>2009</b> |
| Net asset value, beginning of period  | \$10.96                  | \$9.48      | \$9.40      | \$9.35      | \$7.91      |
| <b>Income (loss) from investment operations</b>   |                          |             |             |             |             |
| Net investment income (d)   | \$0.57                   | \$0.61      | \$0.67      | \$0.68      | \$0.69      |
| Net realized and unrealized gain (loss) on investments  | (1.37)                   | 1.30        | 0.07        | 0.04        | 1.38        |
| Distributions declared to shareholders of ARPS  | (0.00)(w)                | (0.01)      | (0.01)      | (0.02)      | (0.03)      |
| Total from investment operations  | \$(0.80)                 | \$1.90      | \$0.73      | \$0.70      | \$2.04      |
| <b>Less distributions declared to common shareholders</b>   |                          |             |             |             |             |
| From net investment income  | \$(0.55)                 | \$(0.63)    | \$(0.65)    | \$(0.65)    | \$(0.60)    |
| Net increase resulting from tender and repurchase of ARPS   | \$                       | \$0.21      | \$          | \$          | \$          |
| Net asset value, end of period (x)  | \$9.61                   | \$10.96     | \$9.48      | \$9.40      | \$9.35      |
| Market value, end of period   | \$8.30                   | \$11.03     | \$9.43      | \$9.21      | \$9.08      |
| Total return at market value (%) (p)  | (20.20)                  | 24.28       | 9.99        | 8.54        | 53.99       |
| Total return at net asset value (%) (j)(r)(s)(x)  | (7.02)                   | 22.84(y)    | 8.34        | 7.58        | 27.29       |
| <b>Ratios (%) (to average net assets applicable to common shares) and Supplemental data:</b>  |                          |             |             |             |             |
| Expenses before expense reductions (f)(p)   | 1.79                     | 1.46        | 1.33        | 1.32        | 1.44        |
| Expenses after expense reductions (f)(p)  | 1.76                     | 1.43        | 1.30        | 1.29        | 1.40        |
| Net investment income (p)   | 5.53                     | 5.94        | 7.21        | 7.05        | 7.94        |
| Portfolio turnover  | 19                       | 14          | 29          | 7           | 14          |
| Net assets at end of period (000 omitted)   | \$111,399                | \$126,973   | \$109,445   | \$108,455   | \$107,666   |
| <b>Supplemental Ratios (%):</b>   |                          |             |             |             |             |
| Ratio of expenses to average net assets applicable to common shares after expense reductions and excluding interest expense and fees (f)(l)(p)                  | 1.17                     | 1.16        | 1.25        | 1.24        | 1.33        |
| Ratio of expenses to average net assets applicable to common shares, ARPS, and VMTPS after expense reductions and excluding interest expense and fees (f)(l)(p) | 0.83                     | 0.82        | 0.86        | 0.86        | 0.89        |
| Net investment income available to common shares  | 5.53                     | 5.86        | 7.06        | 6.87        | 7.59        |

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*Financial Highlights continued*

|  | Years ended 11/30 |          |          |          |          |
|--|-------------------|----------|----------|----------|----------|
|  | 2013              | 2012     | 2011     | 2010     | 2009     |
| <b>Senior Securities:</b>                                  |                   |          |          |          |          |
| ARPS   | 33                | 33       | 1,950    | 1,950    | 1,950    |
| VMTPS  | 1,917             | 1,917    |          |          |          |
| Total preferred shares outstanding                         | 1,950             | 1,950    | 1,950    | 1,950    | 1,950    |
| Asset coverage per preferred share (k)                     | \$82,128          | \$90,114 | \$81,125 | \$80,618 | \$80,213 |
| Involuntary liquidation preference per preferred share (m) | \$25,000          | \$25,000 | \$25,000 | \$25,000 | \$25,000 |
| Average market value per preferred share (m)(u)            | \$25,000          | \$25,000 | \$25,000 | \$25,000 | \$25,000 |

- (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 liquidation preference of ARPS and VMTPS) from the fund's total assets and dividing this number by the total number of preferred shares outstanding.
- (l) Interest expense and fees relate to payments made to the holders of the floating rate certificates from trust assets and interest expense paid to shareholders of VMTPS. For the year ended November 30, 2012, the expense ratio also excludes fees and expenses related to the tender and repurchase of a portion of the fund's ARPS.
- (m) Amount excludes accrued unpaid distributions on ARPS and accrued interest on VMTPS.
- (p) Ratio excludes dividend payment on ARPS.
- (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.
- (u) Average market value represents the approximate fair value of each of the fund's ARPS and VMTPS.
- (w) Per share amount was less than \$0.01.
- (x) The net asset values per share and total returns at net asset value per share have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.
- (y) Included in the total return at net asset value for the year ended November 30, 2012 is the impact of the tender and repurchase by the fund of a portion of its ARPS at 95% of the ARPS per share liquidation preference. Had this transaction not occurred, the total return at net asset value for the year ended November 30, 2012 would have been lower by 1.87%.

**See Notes to Financial Statements**

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**NOTES TO FINANCIAL STATEMENTS**

**(1) Business and Organization**

MFS Investment Grade Municipal Trust (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 increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued. The fund invests primarily in municipal instruments. The value of municipal instruments can be affected by changes in their actual or perceived credit quality. The credit quality of municipal instruments can be affected by, among other things, the financial condition of the issuer or guarantor, the issuer's future borrowing plans and sources of revenue, the economic feasibility of the revenue bond project or general borrowing purpose, political or economic developments in the region where the instrument is issued and the liquidity of the security. Municipal instruments generally trade in the over-the-counter market. Municipal instruments backed by current and anticipated revenues from a specific project or specific assets can be negatively affected by the discontinuance of the taxation supporting the projects or assets or the inability to collect revenues for the project or from the assets. If the Internal Revenue Service determines an issuer of a municipal instrument has not complied with the applicable tax requirements, interest from the security could become taxable, the security could decline in value, and the fund may be required to issue Forms 1099-DIV.

In January 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2013-01 ( ASU 2013-01 ) entitled Balance Sheet (Topic 210) Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities which is intended to clarify the scope of Accounting Standards Update 2011-11 ( ASU 2011-11 ), Balance Sheet (Topic 210) Disclosures about Offsetting Assets and Liabilities. Consistent with the effective date for ASU 2011-11, ASU 2013-01 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. ASU 2013-01 limits the scope of ASU 2011-11's disclosure requirements on offsetting to financial assets and financial liabilities related to derivatives, repurchase and reverse repurchase agreements, and securities lending and securities borrowing transactions. Although still evaluating the potential impact of these two ASUs to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures.

In June 2013, FASB issued Accounting Standards Update 2013-08 Financial Services—Investment Companies (Topic 946) Amendments to the Scope, Measurement, and Disclosure Requirements ( ASU 2013-08 ) which is effective for interim and annual

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*Notes to Financial Statements continued*

reporting periods in fiscal years that begin after December 15, 2013. ASU 2013-08 sets forth a methodology for determining whether an entity should be characterized as an investment company and prescribes fair value accounting for an investment company's non-controlling ownership interest in another investment company. FASB has determined that a fund registered under the Investment Company Act of 1940 automatically meets ASU 2013-08's criteria for an investment company. Although still evaluating the potential impacts of ASU 2013-08 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. Short-term instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Futures contracts are generally valued at last posted settlement price as provided by a third-party pricing service on the market on which they are primarily traded. Futures contracts for which there were no trades that day for a particular position are generally valued at the closing bid quotation as provided by a third-party pricing service on the market on which such futures contracts are primarily traded. 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 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

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

value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments not reflected in total investments, such as futures contracts. The following is a summary of the levels used as of November 30, 2013 in valuing the fund's assets or liabilities:

| <b>Investments at Value</b>        | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>  |
|------------------------------------|----------------|----------------|----------------|---------------|
| Municipal Bonds                    | \$             | \$155,294,103  | \$             | \$155,294,103 |
| Short Term Securities              |                | 5,600,000      |                | 5,600,000     |
| <b>Total Investments</b>           | \$             | \$160,894,103  | \$             | \$160,894,103 |
| <b>Other Financial Instruments</b> |                |                |                |               |
| Futures Contracts                  | \$30,511       | \$             | \$             | \$30,511      |

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

**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 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 futures 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.

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*Notes to Financial Statements continued*

The following table presents, by major type of derivative contract, the fair value, on a gross basis, of the asset and liability components of derivatives held by the fund at November 30, 2013 as reported in the Statement of Assets and Liabilities:

| Risk          | Derivative Contracts  | Fair Value (a)    |                       |
|---------------|-----------------------|-------------------|-----------------------|
|               |                       | Asset Derivatives | Liability Derivatives |
| Interest Rate | Interest Rate Futures | \$34,010          | \$ (3,499)            |

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

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the year ended November 30, 2013 as reported in the Statement of Operations:

| Risk          | Futures Contracts |
|---------------|-------------------|
| Interest Rate | \$704,631         |

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, 2013 as reported in the Statement of Operations:

| Risk          | Futures Contracts |
|---------------|-------------------|
| Interest Rate | \$61,591          |

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain, but not all, over-the-counter derivatives, the fund attempts to reduce its exposure to counterparty credit risk whenever possible by entering into an 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. Upon an event of default or a termination of the ISDA Master Agreement, the non-defaulting party has the right 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.

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

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*Notes to Financial Statements continued*

be reported separately in the Statement of Assets and Liabilities as Deposits with brokers. Securities pledged as collateral or margin for the same purpose, if any, are noted in the Portfolio of Investments.

The fund's accounting policy with respect to balance sheet offsetting is that, absent an event of default by the counterparty or a termination of the agreement, the ISDA Master Agreement does not result in an offset of reported amounts of financial assets and financial liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty.

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

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

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

**Inverse Floaters** The fund invests in municipal inverse floating rate securities which are structured by the issuer (known as primary market inverse floating rate securities) or by an investment banker utilizing municipal bonds which have already been issued (known as secondary market inverse floating rate securities) to have variable rates of interest which typically move in the opposite direction of short term interest rates. A secondary market inverse floating rate security is created when an investment banker transfers a fixed rate municipal bond to a special purpose trust, and causes the trust to (a) issue floating rate certificates to third parties, in an amount equal to a fraction of the par amount of the deposited bonds (these certificates usually pay tax-exempt interest at short-term interest rates that typically reset weekly; and the certificate holders typically, on seven days notice, have the option to tender their certificates to the investment banker or another party for redemption at par plus accrued interest), and (b) issue inverse floating rate certificates (sometimes referred to as inverse floaters). If the holders of the inverse floaters transfer the municipal bonds to an investment banker for the purpose of depositing the municipal bonds into the special purpose trust, the inverse floating rate certificates that are issued by the trust are referred to as self-deposited inverse floaters. If the bonds held by the trust are purchased by the investment banker for deposit into the trust from someone other

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*Notes to Financial Statements continued*

than the purchasers of the inverse floaters, the inverse floating rate certificates that are issued by the trust are referred to as externally deposited inverse floaters. Such self-deposited inverse floaters held by the fund are accounted for as secured borrowings, with the municipal bonds reflected in the investments of the fund and amounts owed to the holders of the floating rate certificates under the provisions of the trust, which amounts are paid solely from the assets of the trust, reflected as liabilities of the fund in the Statement of Assets and Liabilities under the caption, Payable to the holders of the floating rate certificates from trust assets. The carrying value of the fund's payable to the holders of the floating rate certificates from trust assets as reported in the fund's Statement of Assets and Liabilities approximates its fair value. The value of the payable to the holders of the floating rate certificates from trust assets as of the reporting date is considered level 2 under the fair value hierarchy disclosure. At November 30, 2013, the fund's payable to the holders of the floating rate certificates from trust assets was \$7,515,825 and the interest rate on the floating rate certificates issued by the trust was 0.05%. For the year ended November 30, 2013, the average payable to the holders of the floating rate certificates from trust assets was \$7,528,069 at a weighted average interest rate of 0.10%. Interest expense and fees relate to interest payments made to the holders of certain floating rate certificates and associated fees, both of which are made from trust assets. Interest expense and fees are recorded as incurred. For the year ended November 30, 2013, interest expense and fees in connection with self-deposited inverse floaters were \$46,467. Primary and externally deposited inverse floaters held by the fund are not accounted for as secured borrowings.

**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. Interest payments received in additional securities are recorded on the 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.



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*Notes to Financial Statements continued*

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.

Legal fees and other related expenses incurred to preserve and protect the value of a security owned are added to the cost of the security; other legal fees are expensed. Capital infusions made directly to the security issuer, which are generally non-recurring, incurred to protect or enhance the value of high-yield debt securities, are reported as additions to the cost basis of the security. Costs that are incurred to negotiate the terms or conditions of capital infusions or that are expected to result in a plan of reorganization are reported as realized losses. Ongoing costs incurred to protect or enhance an investment, or costs incurred to pursue other claims or legal actions, are expensed.

**Fees Paid Indirectly** The 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, 2013, is shown as a reduction of total expenses in the Statement of Operations.

**Tax Matters and Distributions** The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable and tax-exempt 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, defaulted bonds, secured borrowings and non-deductible expenses that result from the treatment of VMTPS as equity for tax purposes.

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Notes to Financial Statements continued

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

|  | 11/30/13    | 11/30/12    |
|--|-------------|-------------|
| Ordinary income (including any short-term capital gains) | \$12,746    | \$95,968    |
| Tax-exempt income  | 7,031,293   | 7,422,626   |
| Total distributions                                      | \$7,044,039 | \$7,518,594 |

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

| <b>As of 11/30/13</b>                      |               |
|--|---------------|
| Cost of investments                        | \$149,021,610 |
| Gross appreciation                         | 7,496,677     |
| Gross depreciation                         | (3,140,009)   |
| Net unrealized appreciation (depreciation) | \$4,356,668   |
| Undistributed ordinary income              | 60,402        |
| Undistributed tax-exempt income            | 508,441       |
| Capital loss carryforwards                 | (21,877,093)  |
| Other temporary differences                | (305,699)     |

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

As of November 30, 2013, the fund had capital loss carryforwards available to offset future realized gains as follows:

|  |                |
|--|----------------|
| <b>Pre-enactment losses which expire as follows:</b>             |                |
| 11/30/15   | \$(6,815,841)  |
| 11/30/16   | (6,501,801)    |
| 11/30/17   | (5,772,221)    |
| 11/30/18   | (2,208,465)    |
| 11/30/19   | (266,825)      |
| Total  | \$(21,565,153) |
| <b>Post-enactment losses which are characterized as follows:</b> |                |
| Short-Term   | \$(311,940)    |

**(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

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*Notes to Financial Statements continued*

annual rate of 0.65% of the fund's average daily net assets (including the value of the auction rate preferred shares and variable rate municipal term preferred shares).

The investment adviser has agreed in writing to reduce its management fee to 0.63% of average daily net assets (including the value of the auction rate preferred shares and variable rate municipal term preferred shares). This written agreement will continue until modified by the fund's Board of Trustees, but such agreement will continue at least until November 30, 2014. For the year ended November 30, 2013, this management fee reduction amounted to \$33,463, which is shown as a reduction of total expenses in the Statement of Operations. The management fee incurred for the year ended November 30, 2013 was equivalent to an annual effective rate of 0.63% of the fund's average daily net assets (including the value of the auction rate preferred shares and variable rate municipal term preferred shares).

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 (including interest expenses and fees associated with investments in inverse floating rate instruments) other than auction rate preferred shares service fees, such that total fund operating expenses do not exceed 0.89% annually of the fund's average daily net assets (including the value of auction rate preferred shares and variable rate municipal term preferred shares). This written agreement will continue until modified by the fund's Board of Trustees, but such agreement will continue at least until November 30, 2014. For the year ended November 30, 2013, the fund's actual operating expenses did not exceed the limit and therefore, the investment adviser did not pay any portion of the fund's expenses related to this agreement.

**Transfer Agent** The fund engages Computershare Trust Company, N.A. (Computershare) as the sole transfer agent for the fund's common shares. 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, 2013, these fees paid to MFSC amounted to \$3,521.

**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 (including the value of the auction rate preferred shares and variable rate municipal term preferred shares). The administrative services fee incurred for the year ended November 30, 2013 was equivalent to an annual effective rate of 0.0190% of the fund's average daily net assets (including the value of the auction rate preferred shares and variable rate municipal term preferred shares).

**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.

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*Notes to Financial Statements continued*

**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. During the year ended November 30, 2013, the final payment of \$1,998 was distributed in accordance with the Plan. At November 30, 2013, the fund had no unsecured obligation under this plan. 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, 2013, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were \$824 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 \$313, 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 short-term obligations, aggregated \$31,532,433 and \$39,084,436, 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 fund reserves the right to repurchase shares of beneficial interest of the fund subject to Trustee approval. During the years ended November 30, 2013 and November 30, 2012, the fund did not repurchase any shares. Other transactions in fund shares were as follows:

|  | Year ended<br>11/30/13 |        | Year ended<br>11/30/12 |           |
|--|------------------------|--------|------------------------|-----------|
|  | Shares                 | Amount | Shares                 | Amount    |
| Shares issued to shareholders in reinvestment of distributions |                        | \$     | 44,683                 | \$461,258 |

**Table of Contents***Notes to Financial Statements continued***(6) Line of Credit**

The fund and certain other funds managed by MFS participate in a \$1.1 billion unsecured committed line of credit, subject to a \$1 billion sublimit, provided by a syndication of banks under a credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the higher of the Federal Reserve funds rate or one month LIBOR plus an agreed upon spread. A commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. In addition, the fund and other funds managed by MFS have established unsecured uncommitted borrowing arrangements with certain banks for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Federal Reserve funds rate plus an agreed upon spread. For the year ended November 30, 2013, the fund's commitment fee and interest expense were \$629 and \$0, respectively, and are included in Miscellaneous expense in the Statement of Operations.

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

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

| <b>Underlying Affiliated Fund</b>           | <b>Beginning<br/>Shares/Par<br/>Amount</b> | <b>Acquisitions<br/>Shares/Par<br/>Amount</b> | <b>Dispositions<br/>Shares/Par<br/>Amount</b> | <b>Ending<br/>Shares/Par<br/>Amount</b> |
|---|--|---|---|---|
| MFS Institutional Money<br>Market Portfolio | 2,279,191                                  | 28,124,514                                    | (30,403,705)                                  | 0                                       |

  

| <b>Underlying Affiliated Fund</b>           | <b>Realized<br/>Gain (Loss)</b> | <b>Capital Gain<br/>Distributions</b> | <b>Dividend<br/>Income</b> | <b>Ending<br/>Value</b> |
|---|---------------------------------|---------------------------------------|----------------------------|-------------------------|
| MFS Institutional Money<br>Market Portfolio | \$                              | \$                                    | \$1,896                    | \$0                     |

**(8) Preferred Shares**

The fund has 33 shares issued and outstanding of Auction Rate Preferred Shares (ARPS), series M. Dividends are cumulative at a rate that is reset every seven days for the series through an auction process. If the ARPS are unable to be remarketed on a remarketing date as part of the auction process, the fund would be required to pay the maximum applicable rate on ARPS to holders of such shares for successive dividend periods until such time when the shares are successfully remarketed. The maximum rate on ARPS rated aa3/AA- or better is equal to 110% of the higher of (i) the Taxable Equivalent of the Short-Term Municipal Bond Rate or (ii) the AA Composite Commercial Paper Rate.

Since February 2008, regularly scheduled auctions for ARPS issued by closed end funds, including this fund, have consistently failed because of insufficient demand (bids to buy shares) to meet the supply (shares offered for sale) at each auction. In a failed auction, ARPS holders cannot sell their shares tendered for sale. While repeated auction failures have affected the liquidity for ARPS, they do not constitute a default or automatically alter the credit quality of the ARPS, and ARPS holders have continued to receive dividends at the previously defined maximum rate. During the year ended

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*Notes to Financial Statements continued*

November 30, 2013, the ARPS dividend rates ranged from 0.08% to 0.38% for series M. For the year ended November 30, 2013, the average dividend rate was 0.17% for series M. These developments with respect to ARPS do not affect the management or investment policies of the fund. However, one implication of these auction failures for common shareholders is that the fund's cost of leverage will be higher than it otherwise would have been had the auctions continued to be successful. As a result, the fund's future common share earnings may be lower than they otherwise would have been.

The fund pays an annual service fee to broker-dealers with customers who are beneficial owners of the ARPS. The service fee is equivalent to 0.25% of the applicable ARPS liquidation value while the ARPS auctions are successful or to 0.15% or less, varying by broker-dealer, while the auctions are failing. The outstanding ARPS are redeemable at the option of the fund in whole or in part at the liquidation preference of \$25,000 per share, plus accumulated and unpaid dividends. The ARPS are also subject to mandatory redemption if certain requirements relating to its asset maintenance coverage are not satisfied.

On August 9, 2012, the fund announced a tender offer for all of its outstanding ARPS at a price equal to 95% of the ARPS per share liquidation preference of \$25,000, or \$23,750 per share, plus any unpaid dividends accrued through the expiration date of the tender offer. The tender offer expired on September 7, 2012, and the fund accepted for repurchase 1,917 ARPS, series M (approximately 98.3% of the fund's then outstanding ARPS) with an aggregate liquidation preference of \$47,925,000 for an aggregate price of \$45,528,750. To finance the ARPS tender offer, the fund issued in a private placement 1,917 shares of a new type of preferred shares, Variable Rate Municipal Term Preferred Shares (VMTPS), each with a liquidation preference of \$25,000 per share, for an aggregate price of \$47,925,000. The outstanding VMTPS are redeemable at the option of the fund in whole or in part at the liquidation preference of \$25,000 per share, plus accumulated and unpaid dividends, but generally solely for the purpose of decreasing the leverage of the fund. The VMTPS are subject to a mandatory term redemption date of September 30, 2016 unless extended through negotiation with the private investors. Dividends on the VMTPS are cumulative and are set weekly to a fixed spread against the Securities Industry and Financial Markets Association Municipal Swap Index. The average annualized dividend rate on the fund's VMTPS from the date of initial issuance through November 30, 2013 was 1.35%. The total liquidation preference of the fund's outstanding preferred shares, comprised of untendered ARPS and VMTPS, remained unchanged as a result of the ARPS tender and VMTPS issuance. The difference between the liquidation preference of the ARPS and the actual purchase price of the tendered ARPS (i.e. the 5% discount on the per share liquidation preference of the tendered ARPS), was recognized by the fund in the Statement of Changes in Net Assets for the year ended November 30, 2012 as an increase in net assets applicable to common shares resulting from the tender and the repurchase of the ARPS by the fund.

In the fund's Statement of Assets and Liabilities, the VMTPS aggregate liquidation preference is shown as a liability since they have a stated mandatory redemption date. Dividends paid to VMTPS are treated as interest expense and recorded as incurred. For the year ended November 30, 2013, interest expense related to VMTPS amounted to

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*Notes to Financial Statements continued*

\$646,415 and is included in Interest expense and fees in the Statement of Operations. Costs directly related to the issuance of the VMTPS are considered debt issuance costs which have been deferred and are being amortized into expense over the life of the VMTPS. The period-end carrying value for the VMTPS in the fund's Statement of Assets and Liabilities is its liquidation value which approximates its fair value. If the VMTPS were carried at fair value, its fair value would be considered level 2 under the fair value hierarchy.

Under the terms of a purchase agreement between the fund and the investor in VMTPS, there are investment-related requirements that are in various respects more restrictive than those to which the fund is otherwise subject in accordance with its investment objectives and policies, and may limit the investment flexibility that might otherwise be pursued by the fund if the VMTPS were not outstanding.

The fund is required to maintain certain asset coverage with respect to the ARPS and VMTPS as defined in the fund's By-Laws and the Investment Company Act of 1940 and, as such, is not permitted to declare common share dividends unless the fund's ARPS and VMTPS have a minimum asset coverage ratio of 200% after declaration of the common share dividends. With respect to the payment of dividends and as to the distribution of assets of the fund, ARPS and VMTPS rank on parity with each other, and are both senior in priority to the fund's outstanding common shares. To the extent that investments are purchased by the fund with proceeds from the issuance of preferred shares, including ARPS and VMTPS, the fund's net asset value will increase or decrease at a greater rate than a comparable unleveraged fund.

As of November 30, 2013, the fund had issued and outstanding 33 ARPS, series M, and 1,917 VMTPS, series 2016/9.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Trustees and Shareholders of MFS Investment Grade Municipal Trust:

We have audited the accompanying statement of assets and liabilities of MFS Investment Grade Municipal Trust (the Fund), including the portfolio of investments, as of November 30, 2013, 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, 2013 by correspondence with the custodian and others or by other appropriate audit procedures where replies from others were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MFS Investment Grade Municipal Trust at November 30, 2013, 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, 2014



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**RESULTS OF SHAREHOLDER MEETING**

(unaudited)

At the annual meeting of shareholders of the MFS Investment Grade Municipal Trust, which was held on October 3, 2013, the following actions were taken:

**Item 1:** To elect the following individuals as Trustees, elected by the holders of common and preferred shares together:

| Nominee             | Number of Shares |                    |
|---------------------|------------------|--------------------|
|                     | For              | Withheld Authority |
| Maureen R. Goldfarb | 9,243,898,351    | 383,872.994        |
| Robert J. Manning   | 9,271,458.261    | 356,313.084        |

**Item 2:** To elect the following individuals as Trustees, elected by the holders of preferred shares only:

| Nominee           | Number of Shares |                    |
|-------------------|------------------|--------------------|
|                   | For              | Withheld Authority |
| John P. Kavanaugh | 1,947            |                    |
| Laurie J. Thomsen | 1,947            |                    |

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

The Trustees and Officers of the Trust, as of January 1, 2014, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and Officer is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

| <b>Name, Age</b>                                 | <b>Position(s)<br/>Held</b>      | <b>Trustee/Officer<br/>Since <sup>(h)</sup></b> | <b>Term<br/>Expiring</b> | <b>Principal<br/>Occupations During<br/>the Past Five Years</b>   | <b>Other<br/>Directorships <sup>(i)</sup></b>  |
|--|----------------------------------|---|--------------------------|---|--|
| <b>INTERESTED TRUSTEES</b>                       |                                  |   |                          |   |  |
| Robert J. Manning <sup>(k)</sup><br>(age 50)     | Trustee                          | February 2004                                   | 2016                     | Massachusetts Financial Services Company, Chairman, Chief Executive Officer and Director; President (until 2009); Chief Investment Officer (until 2010) | N/A  |
| Robin A. Stelmach <sup>(k)</sup><br><br>(age 52) | Trustee                          | January 2014                                    | 2015                     | Massachusetts Financial Services Company,<br><br>Executive Vice President and Chief Operating Officer   | N/A  |
| <b>INDEPENDENT TRUSTEES</b>                      |                                  |   |                          |   |  |
| David H. Gunning<br>(age 71)                     | Trustee and Chair<br>of Trustees | January 2004                                    | 2015                     | Private investor  | Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non-Executive Chairman |
| Robert E. Butler<br>(age 72)                     | Trustee                          | January 2006                                    | 2015                     | Consultant investment company industry regulatory and compliance matters  | N/A  |
| Maureen R. Goldfarb<br><br>(age 58)              | Trustee                          | January 2009                                    | 2016                     | Private investor  | N/A  |
| William R. Gutow<br>(age 72)                     | Trustee                          | December 1993                                   | 2014                     | Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman                                  | Texas Donuts (donut franchise), Vice Chairman (until 2010)   |

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

| <b>Name, Age</b>                                 | <b>Position(s)<br/>Held</b>             | <b>Trustee/Officer<br/>Since <sup>(h)</sup></b> | <b>Term<br/>Expiring</b> | <b>Principal<br/>Occupations During<br/>the Past Five Years</b>   | <b>Other<br/>Directorships <sup>(i)</sup></b>   |
|--|---|---|--------------------------|---|---|
| Michael Hegarty<br>(age 69)                      | Trustee                                 | December 2004                                   | 2014                     | Private investor  | Brookfield Office Properties, Inc. (real estate), Director; Rouse Properties Inc. (real estate), Director; Capmark Financial Group Inc. (real estate), Director |
| John P. Kavanaugh<br>(age 59)                    | Trustee                                 | January 2009                                    | 2014                     | Private investor  | N/A   |
| Laurie J. Thomsen<br>(age 56)                    | Trustee                                 | March 2005                                      | 2014                     | Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)   | The Travelers Companies (insurance), Director   |
| Robert W. Uek<br>(age 72)                        | Trustee                                 | January 2006                                    | 2014                     | Consultant to investment company industry   | N/A   |
| <b>OFFICERS</b>                                  |   |   |                          |   |   |
| John M. Corcoran <sup>(k)</sup><br>(age 48)      | President                               | October 2008                                    | N/A                      | Massachusetts Financial Services Company, Senior Vice President   | N/A   |
| Christopher R. Bohane <sup>(k)</sup><br>(age 39) | Assistant Secretary and Assistant Clerk | July 2005                                       | N/A                      | Massachusetts Financial Services Company, Vice President and Assistant General Counsel  | N/A   |
| Kino Clark <sup>(k)</sup><br>(age 45)            | Assistant Treasurer                     | January 2012                                    | N/A                      | Massachusetts Financial Services Company,   | N/A   |
| Thomas H. Connors <sup>(k)</sup><br>(age 54)     | Assistant Secretary and Assistant Clerk | September 2012                                  | N/A                      | Vice President 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   |

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

| <b>Name, Age</b>                                   | <b>Position(s)<br/>Held</b>                                | <b>Trustee/Officer<br/>Since <sup>(h)</sup></b> | <b>Term<br/>Expiring</b> | <b>Principal<br/>Occupations During<br/>the Past Five Years</b>   | <b>Other<br/>Directorships <sup>(i)</sup></b> |
|--|--|---|--------------------------|---|---|
| Ethan D. Corey <sup>(k)</sup><br>(age 50)          | Assistant<br>Secretary and<br>Assistant Clerk              | July 2005                                       | N/A                      | Massachusetts Financial Services<br>Company, Senior Vice President<br>and Associate General Counsel   | N/A   |
| David L. DiLorenzo <sup>(k)</sup><br><br>(age 45)  | Treasurer  | July 2005                                       | N/A                      | Massachusetts Financial Services<br>Company, Senior Vice President  | N/A   |
| Robyn L. Griffin<br>(age 38)                       | Assistant<br>Independent<br>Chief<br>Compliance<br>Officer | August 2008                                     | N/A                      | Griffin Compliance LLC<br>(provider of compliance services),<br>Principal   | N/A   |
| Brian E. Langenfeld <sup>(k)</sup><br><br>(age 40) | Assistant<br>Secretary and<br>Assistant Clerk              | June 2006                                       | N/A                      | Massachusetts Financial Services<br>Company, Vice President and<br>Senior Counsel   | N/A   |
| Susan S. Newton <sup>(k)</sup><br><br>(age 63)     | Assistant<br>Secretary and<br>Assistant Clerk              | May 2005  | N/A                      | Massachusetts Financial Services<br>Company, Senior Vice President<br>and Associate General Counsel   | N/A   |
| Susan A. Pereira <sup>(k)</sup><br>(age 43)        | Assistant<br>Secretary and<br>Assistant Clerk              | July 2005                                       | N/A                      | Massachusetts Financial Services<br>Company, Vice President and<br>Senior Counsel   | N/A   |
| Kasey L. Phillips <sup>(k)</sup><br><br>(age 43)   | Assistant<br>Treasurer                                     | September 2012                                  | N/A                      | Massachusetts Financial Services<br>Company, Vice President; Wells<br>Fargo Funds Management, LLC,<br>Senior Vice President, Fund<br>Treasurer (until 2012) | N/A   |
| Mark N. Polebaum <sup>(k)</sup><br><br>(age 61)    | Secretary and<br>Clerk                                     | January 2006                                    | N/A                      | Massachusetts Financial Services<br>Company, Executive Vice<br>President, General Counsel and<br>Secretary  | N/A   |

**Table of Contents**

*Trustees and Officers continued*

| Name, Age                                     | Position(s)<br>Held                           | Trustee/Officer<br>Since <sup>(h)</sup> | Term<br>Expiring | Principal<br>Occupations During<br>the Past Five Years  | Other<br>Directorships <sup>(j)</sup> |
|---|---|---|------------------|---|---------------------------------------|
|   | with Fund                                     |   |                  |   |                                       |
| Frank L. Tarantino<br>(age 69)                | Independent<br>Chief<br>Compliance<br>Officer | June 2004                               | N/A              | Tarantino LLC (provider of<br>compliance services), Principal                                       | N/A                                   |
| Richard S. Weitzel <sup>(k)</sup><br>(age 43) | Assistant<br>Secretary and<br>Assistant Clerk | October 2007                            | N/A              | Massachusetts Financial Services<br>Company, Senior Vice President<br>and Associate General Counsel | N/A                                   |
| James O. Yost <sup>(k)</sup><br>(age 53)      | Deputy Treasurer                              | September 1990                          | N/A              | Massachusetts Financial Services<br>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.

The Trust holds annual shareholder meetings for the purpose of electing Trustees, and Trustees are elected for fixed terms. Two Trustees, each holding a term of one year, are elected annually by holders of the Trust's preferred shares. The remaining Trustees are 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, 2014, the Trustees served as board members of 142 funds within the MFS Family of Funds.

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*Trustees and Officers continued*

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**

Michael Dawson  
Geoffrey Schechter

**Custodian**

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

**Independent Registered Public Accounting Firm**

Ernst & Young LLP  
200 Clarendon Street  
Boston, MA 02116

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**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, 2013 ( 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, 2012 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

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*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.

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, 2012, 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 49th out of a total of 74 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 21st out of a total of 74 funds for the one-year period and 48th out of a total of 72 funds for the five-year period ended December 31, 2012. 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 Municipal Bond Index. The Fund out-performed the Barclays Municipal Bond Index for each of the one-, three- and five-year periods ended December 31, 2012 (one-year: 17.2% total return for the Fund versus 6.8% total return for the benchmark; three-year: 11.3% total return for the Fund versus 6.6% total return for the benchmark; five-year: 7.4% total return for the Fund versus 5.9% total return for the benchmark). Because of the passage of time, these performance results may differ from the performance results for more recent periods, including those shown elsewhere in this report.

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



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*Board Review of Investment Advisory Agreement continued*

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's common shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. The Trustees considered that MFS has agreed in writing to reduce its advisory fee, and that MFS currently observes an expense limitation for the Fund, each of 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 and total expense ratio were each higher than the Lipper expense group median.

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

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

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

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

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

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

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*Board Review of Investment Advisory Agreement continued*

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, 2013.

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*).

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### **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](mailto:publicinfo@sec.gov) or by writing the Public Reference Section at the above address.

### **FURTHER INFORMATION**

From time to time, MFS may post important information about the fund or the MFS funds on the MFS web site (*mfs.com*). This information is available by visiting the 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 2013 income tax forms in January 2014. The following information is provided pursuant to provisions of the Internal Revenue Code.

Of the dividends paid from net investment income during the fiscal year, 99.82% is designated as exempt interest dividends for federal income tax purposes. If the fund has earned income on private activity bonds, a portion of the dividends paid may be considered a tax preference item for purposes of computing a shareholder's alternative minimum tax.

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**FACTS**

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

**Why?**

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

**What?**

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

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

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

**How?**

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

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

For nonaffiliates to market to you

No

We don't share

**Questions?**

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

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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 INVESTMENT GRADE MUNICIPAL TRUST - 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.

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**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: **CXH**



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**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, 2013 and 2012, audit fees billed to the Fund by E&Y were as follows:

|                                      | <b>Audit Fees</b> |             |
|--------------------------------------|-------------------|-------------|
|                                      | <b>2013</b>       | <b>2012</b> |
| <b>Fees billed by E&amp;Y:</b>       |                   |             |
| MFS Investment Grade Municipal Trust | 55,079            | 51,564      |

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For the fiscal years ended November 30, 2013 and 2012, fees billed by E&Y for audit-related, tax and other services provided to the Fund and for audit-related, tax and other services provided to MFS and MFS Related Entities were as follows:

|   | Audit-Related Fees <sup>1</sup> |        | Tax Fees <sup>2</sup> |       | All Other Fees <sup>3</sup> |      |
|---|---------------------------------|--------|-----------------------|-------|-----------------------------|------|
|   | 2013                            | 2012   | 2013                  | 2012  | 2013                        | 2012 |
| <b>Fees billed by E&amp;Y:</b>          |                                 |        |                       |       |                             |      |
| To MFS Investment Grade Municipal Trust | 10,714                          | 10,504 | 9,670                 | 9,481 | 0                           | 0    |

|  | Audit-Related Fees <sup>1</sup> |      | Tax Fees <sup>2</sup> |      | All Other Fees <sup>3</sup> |      |
|--|---------------------------------|------|-----------------------|------|-----------------------------|------|
|  | 2013                            | 2012 | 2013                  | 2012 | 2013                        | 2012 |
| <b>Fees billed by E&amp;Y:</b>   |                                 |      |                       |      |                             |      |
| To MFS and MFS Related Entities of MFS Investment Grade Municipal Trust <sup>*</sup> | 0                               | 0    | 0                     | 0    | 0                           | 0    |

|  | Aggregate Fees for Non-audit Services |        |
|--|---------------------------------------|--------|
|  | 2013                                  | 2012   |
| <b>Fees Billed by E&amp;Y:</b>   |                                       |        |
| To MFS Investment Grade Municipal Trust, MFS and MFS Related Entities <sup>#</sup> | 78,384                                | 59,985 |

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

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

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

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

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

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

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

To the extent required by applicable law, pre-approval by the Audit Committee of the Board is needed for all audit and permissible non-audit services rendered to the Fund and all permissible non-audit services rendered to MFS or MFS Related Entities if the services relate directly to the operations and financial reporting of the Registrant. Pre-approval is

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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.

**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.

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**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.

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.

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

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

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

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

## 2. MFS' Policy on Specific Issues

### *Election of Directors*

MFS believes that good governance should be based on a board with at least a simple majority of directors who are independent of management, and whose key committees (e.g., compensation, nominating, and audit committees) 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

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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").

### *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.

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### *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.

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.

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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.

### *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.



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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.

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.

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### *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.

### *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.

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### *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.

### *Adjourn Shareholder Meeting*

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

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

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

MFS generally supports proposals that seek to remove governance structures that insulate management from shareholders (*i.e.*, anti-takeover measures) or that seek to enhance shareholder rights. Many of these governance-related issues, including compensation issues, are outlined within the context of the above guidelines. In addition, MFS typically supports proposals that require an issuer to reimburse successful dissident shareholders (who are not seeking control of the company) for reasonable expenses that such dissident incurred in soliciting an alternative slate of director candidates. MFS also generally supports reasonably crafted shareholder proposals requesting increased disclosure around the company's use of collateral in derivatives trading. MFS typically does

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not support proposals to separate the chairman and CEO positions as we believe that the most beneficial leadership structure of a company should be determined by the company's board of directors. For any governance-related proposal for which an explicit guideline is not provided above, MFS will consider such proposals on a case-by-case basis and will support such proposals if MFS believes that it is in the best long-term economic interest of the company's shareholders.

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

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

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

### *Foreign Issuers*

MFS generally supports the election of a director nominee standing for re-election in uncontested or non-contentious elections unless it can be determined that (1) he or she failed to attend at least 75% of the board and/or relevant committee meetings in the previous year without a valid reason given in the proxy materials; (2) since the last annual meeting of shareholders and without shareholder approval, the board or its compensation committee has re-priced underwater stock options; or (3) since the last annual meeting, the board has either implemented a

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poison pill without shareholder approval or has not taken responsive action to a majority shareholder approved resolution recommending that the poison pill be rescinded. Also, certain markets outside of the U.S. have adopted best practice guidelines relating to corporate governance matters (e.g. the United Kingdom's Corporate Governance Code). Many of these guidelines operate on a "comply or explain" basis. As such, MFS will evaluate any explanations by companies relating to their compliance with a particular corporate governance guideline on a case-by-case basis and may vote against the board nominees or other relevant ballot item if such explanation is not satisfactory.

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

Some international markets have also adopted mandatory requirements for all companies to hold shareholder votes on executive compensation. MFS will not support such proposals if MFS determines that a company's executive compensation practices are excessive, considering such factors as the specific market's best practices that seek to maintain appropriate pay-for-performance alignment and to create long-term shareholder value.

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

In accordance with local law or business practices, some foreign companies or custodians prevent the sales of shares that have been voted for a certain period beginning prior to the shareholder meeting and ending on the day following the meeting ("share blocking"). Depending on the country in which a company is domiciled, the blocking period may begin a stated number of days prior or subsequent to the meeting (e.g. one, three or five days) or on a date established by the company. While practices vary, in many countries the block period can be continued for a longer period if the shareholder meeting is adjourned and postponed to a later date. Similarly, practices vary widely as to the ability of a shareholder to have the "block" restriction lifted early (e.g. in some countries shares generally can be "unblocked" up to two days prior to the meeting whereas in other countries the removal of the block appears to be discretionary with the

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issuer's transfer agent). Due to these restrictions, MFS must balance the benefits to its clients of voting proxies against the potentially serious portfolio management consequences of a reduced flexibility to sell the underlying shares at the most advantageous time. For companies in countries with share blocking periods or in markets where some custodians may block shares, the disadvantage of being unable to sell the stock regardless of changing conditions generally outweighs the advantages of voting at the shareholder meeting for routine items. Accordingly, MFS will not vote those proxies in the absence of an unusual, significant vote that outweighs the disadvantage of being unable to sell the stock.

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

**B. ADMINISTRATIVE PROCEDURES**

*1. MFS Proxy Voting Committee*

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

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

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*2. Potential Conflicts of Interest*

The MFS Proxy Voting Committee is responsible for monitoring potential material conflicts of interest on the part of MFS or its subsidiaries that could arise in connection with the voting of proxies on behalf of MFS clients. Due to the client focus of our investment management business, we believe that the potential for actual material conflict of interest issues is small. Nonetheless, we have developed precautions to assure that all proxy votes are cast in the best long-term economic interest of shareholders.<sup>1</sup> Other MFS internal policies require all MFS employees to avoid actual and potential conflicts of interests between personal activities and MFS client activities. If an employee identifies an actual or potential conflict of interest with respect to any voting decision, then that employee must recuse himself/herself from participating in the voting process. Additionally, with respect to decisions concerning all Non-Standard Votes, as defined below, MFS will review the securities holdings reported by investment professionals that participate in such decisions to determine whether such person has a direct economic interest in the decision, in which case such person shall not further participate in making the decision. Any significant attempt by an employee of MFS or its subsidiaries to unduly influence MFS voting on a particular proxy matter should also be reported to the MFS Proxy Voting Committee.

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

- a. Compare the name of the issuer of such proxy against a list of significant current (i) distributors of MFS Fund shares, and (ii) MFS institutional clients (the MFS Significant Client List);
- b. If the name of the issuer does not appear on the MFS Significant Client List, then no material conflict of interest will be deemed to exist, and the proxy will be voted as otherwise determined by the MFS Proxy Voting Committee;
- c. If the name of the issuer appears on the MFS Significant Client List, then the MFS Proxy Voting Committee will be apprised of that fact and each member of the MFS Proxy Voting Committee will carefully evaluate the proposed vote in order to ensure that the proxy ultimately is voted in what MFS believes to be the best long-term economic interests of MFS clients, and not in MFS corporate interests; and

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

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d. For all potential material conflicts of interest identified under clause (c) above, the MFS Proxy Voting Committee will document: the name of the issuer, the issuer's relationship to MFS, the analysis of the matters submitted for proxy vote, the votes as to be cast and the reasons why the MFS Proxy Voting Committee determined that the votes were cast in the best long-term economic interests of MFS clients, and not in MFS corporate interests. A copy of the foregoing documentation will be provided to MFS Conflicts Officer. The members of the MFS Proxy Voting Committee are responsible for creating and maintaining the MFS Significant Client List, in consultation with MFS distribution and institutional business units. The MFS Significant Client List will be reviewed and updated periodically, as appropriate.

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

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

**3. *Gathering Proxies***

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



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

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

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

#### *4. Analyzing Proxies*

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

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As a general matter, portfolio managers and investment analysts have little or no involvement in most votes taken by MFS. This is designed to promote consistency in the application of MFS voting guidelines, to promote consistency in voting on the same or similar issues (for the same or for multiple issuers) across all client accounts, and to minimize the potential that proxy solicitors, issuers, or third parties might attempt to exert inappropriate influence on the vote. In limited types of votes (e.g. mergers and acquisitions, capitalization matters, potentially excessive executive compensation issues, or shareholder proposals relating to environmental and social issues), a representative of MFS Proxy Voting Committee may consult with or seek recommendations from MFS portfolio managers or investment analysts.<sup>2</sup> However, the MFS Proxy Voting Committee would ultimately determine the manner in which all proxies are voted.

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

### *5. Voting Proxies*

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

### *6. Securities Lending*

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

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

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

*7. Engagement*

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

*C. RECORDS RETENTION*

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

*D. REPORTS*

MFS Funds

MFS publicly discloses the proxy voting records of the MFS Funds on an annual basis, as required by law. MFS will also report the results of its voting to the Board of Trustees and Board of Managers of the MFS Funds. These reports will include: (i) a summary of how votes were cast (including advisory votes on pay and

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

All MFS Advisory Clients

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

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

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

Information regarding the portfolio manager(s) of the MFS Investment Grade Municipal Trust (the Fund ) is set forth below. Each portfolio manager is primarily responsible for the day-to-day management of the Fund.

| <b>Portfolio Manager</b> | <b>Primary Role</b> | <b>Since</b> | <b>Title and Five Year History</b>   |
|--------------------------|---------------------|--------------|--|
| Michael L. Dawson        | Portfolio Manager   | 2007         | Investment Officer of MFS; employed in the investment area of MFS since 1998.            |
| Geoffrey L. Schechter    | Portfolio Manager   | 2007         | Investment Officer of MFS; employed in the investment management area of MFS since 1993. |

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**Compensation**

Portfolio manager compensation is reviewed annually. As of December 31, 2012, portfolio manager total cash compensation is a combination of base salary and performance bonus:

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

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

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

The quantitative portion is based on the pre-tax performance of assets managed by the portfolio manager over one-, three-, and five-year periods relative to peer group universes and/or indices ( benchmarks ). As of December 31, 2012, the following benchmarks were used to measure the following portfolio manager s performance for the Fund:

| <b>Fund</b>                          | <b>Portfolio Manager</b> | <b>Benchmark(s)</b>           |
|--------------------------------------|--------------------------|-------------------------------|
| MFS Investment Grade Municipal Trust | Michael L. Dawson        | Barclays Municipal Bond Index |
|                                      | Geoffrey L. Schechter    | Barclays Municipal Bond Index |

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

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

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

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

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**Ownership of Fund Shares**

The following table shows the dollar range of equity securities of the Fund beneficially owned by the Fund's portfolio manager(s) as of the Fund's fiscal year ended November 30, 2013. The following dollar ranges apply:

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

| Name of Portfolio Manager | Dollar Range of Equity Securities in Fund |
|---------------------------|---|
| Michael L. Dawson         | N   |
| Geoffrey L. Schechter     | N   |

**Other Accounts**

In addition to the Fund, the portfolio manager of the Fund is named as a portfolio manager of certain other accounts managed or subadvised by MFS or an affiliate. The number and assets of these accounts were as follows as of November 30, 2013:

| Name                  | Registered Investment Companies* |                 | Other Pooled Investment Vehicles |                 | Other Accounts     |              |
|-----------------------|----------------------------------|-----------------|----------------------------------|-----------------|--------------------|--------------|
|                       | Number of Accounts               | Total Assets    | Number of Accounts               | Total Assets    | Number of Accounts | Total Assets |
| Michael L. Dawson     | 16                               | \$ 2.6 billion  | 0                                | N/A             | 0                  | N/A          |
| Geoffrey L. Schechter | 12                               | \$ 11.5 billion | 1                                | \$353.3 million | 0                  | N/A          |

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

**Potential Conflicts of Interest**

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

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

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the Adviser or its subsidiaries. A portfolio manager may execute transactions for another fund or account that may adversely affect the value of the Fund's investments. Investments selected for funds or accounts other than the Fund may outperform investments selected for the Fund.

When two or more clients are simultaneously engaged in the purchase or sale of the same security, the securities are allocated among clients in a manner believed by the Adviser to be fair and equitable to each. It is recognized that in some cases this system could have a detrimental effect on the price or volume of the security as far as the Fund is concerned. In most cases, however, the Adviser believes that the Fund's ability to participate in volume transactions will produce better executions for the Fund.

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

**ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.**

**MFS Investment Grade Municipal Trust**

| <b>Period</b>     | <b>(a) Total number of Shares Purchased</b> | <b>(b) Average Price Paid per Share</b> | <b>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b> | <b>(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs</b> |
|-------------------|---|---|---|---|
| 12/01/12-12/31/12 | 0   | N/A                                     | 0   | 1,155,115   |
| 1/01/13-1/31/13   | 0   | N/A                                     | 0   | 1,155,115   |
| 2/01/13-2/28/13   | 0   | N/A                                     | 0   | 1,155,115   |
| 3/01/13-3/31/13   | 0   | N/A                                     | 0   | 1,158,695   |
| 4/01/13-4/30/13   | 0   | N/A                                     | 0   | 1,158,695   |
| 5/01/13-5/31/13   | 0   | N/A                                     | 0   | 1,158,695   |
| 6/01/13-6/30/13   | 0   | N/A                                     | 0   | 1,158,695   |
| 7/01/13-7/31/13   | 0   | N/A                                     | 0   | 1,158,695   |
| 8/01/13-8/31/13   | 0   | N/A                                     | 0   | 1,158,695   |
| 9/1/13-9/30/13    | 0   | N/A                                     | 0   | 1,158,695   |
| 10/1/13-10/31/13  | 0   | N/A                                     | 0   | 1,158,695   |
| 11/1/13-11/30/13  | 0   | N/A                                     | 0   | 1,158,695   |
| <b>Total</b>      | <b>0</b>                                    |   | <b>0</b>  |   |

Note: The Board of Trustees approves procedures to repurchase shares annually. The notification to shareholders of the program is part of the semi-annual and annual reports sent to shareholders. These annual programs begin on March 1<sup>st</sup> of each year. The programs conform to the conditions of Rule 10b-18 of the Securities Exchange Act of 1934

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and limit the aggregate number of shares that may be purchased in each annual period (March 1 through the following February 28) to 10% of the Registrant's outstanding shares as of the first day of the plan year (March 1). The aggregate number of shares available for purchase for the March 1, 2013 plan year is 1,158,695.

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

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

**ITEM 11. CONTROLS AND PROCEDURES.**

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



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**ITEM 12. EXHIBITS.**

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

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**Notice**

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

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SIGNATURES

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

Registrant MFS INVESTMENT GRADE MUNICIPAL TRUST

By (Signature and Title)\* JOHN M. CORCORAN  
John M. Corcoran, President

Date: January 15, 2014

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

By (Signature and Title)\* JOHN M. CORCORAN  
John M. Corcoran, President

(Principal Executive Officer)

Date: January 15, 2014

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

(Principal Financial Officer  
and Accounting Officer)

Date: January 15, 2014

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