

MFS INTERMEDIATE HIGH INCOME FUND

Form N-CSRS

July 29, 2010

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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 811-5567

MFS INTERMEDIATE HIGH INCOME FUND

(Exact name of registrant as specified in charter)

500 Boylston Street, Boston, Massachusetts 02116

(Address of principal executive offices) (Zip code)

Susan S. Newton

Massachusetts Financial Services Company

500 Boylston Street

Boston, Massachusetts 02116

(Name and address of agents for service)

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

Date of fiscal year end: November 30

Date of reporting period: May 31, 2010

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ITEM 1. REPORTS TO STOCKHOLDERS.

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Semiannual report

MFS® Intermediate High Income Fund

5/31/10

CIH-SEM

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MFS® Intermediate High Income Fund

New York Stock Exchange Symbol: **CIF**

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NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

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LETTER FROM THE CEO

Dear Shareholders:

After having suffered their biggest declines since the Great Depression, most global markets experienced an impressive resurgence during the latter months of 2009 and the first quarter of 2010. The global economy was able to reap the benefits of two major trends. The first of these was the massive efforts of governments and central banks to increase liquidity in the financial system as they sought to prevent the credit crisis from further affecting the banking system. The second was the move by companies around the world to cut costs and operations to prepare for rapidly changing market conditions. We believe that these moves not only shortened the length of the downturn but also set the stage for recovery.

Even with the significant market gains of 2009 and the early part of 2010, the recovery is unrolling at a moderate pace, with rebounds in the manufacturing sector and corporate America leading the way. Central bankers are proceeding with caution and many have held benchmark interest rates unchanged as they debate the best way to withdraw stimulus measures without disrupting the fragile growth process. Complicating that debate late in the period was the emergence of the European debt crisis and worries about whether this crisis could derail the global recovery.

While hurdles remain, we believe that the global economy is proceeding on the road to recovery. As always, we continue to be mindful of the many challenges faced at the individual, national, and international levels. It is at times such as these that we want to remind investors of the merits of maintaining a long-term view, adhering to basic investing principles such as asset allocation and diversification, and working closely with advisors to identify and research investment opportunities. At MFS®, we take particular pride in how well mutual funds can help investors by providing the diversification that is important in any type of market climate.

Respectfully,

Robert J. Manning

Chairman and Chief Executive Officer

MFS Investment Management®

July 15, 2010

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

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PORTFOLIO COMPOSITION

Portfolio structure (i)

Top five industries (i)

| | |
|--|------|
| Medical & Health Technology & Services | 9.9% |
| Broadcasting | 7.5% |
| Gaming & Lodging | 7.5% |
| Utilities Electric Power | 6.6% |
| Energy Independent | 6.3% |

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

| | |
|--------|---------|
| A | 0.5% |
| BBB | 8.0% |
| BB | 35.3% |
| B | 54.5% |
| CCC | 28.5% |
| CC | 0.5% |
| C | 0.9% |
| D | 1.2% |
| Equity | 1.7% |
| Other | (31.1)% |

Portfolio facts (i)

| | |
|--------------------------------|----------|
| Average Duration (d) | 6.0 |
| Average Effective Maturity (m) | 7.0 yrs. |

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Portfolio Composition continued

- (a) Included in the rating categories are: (1) debt securities and fixed income structured products which have long-term public ratings; (2) U.S. Government Securities (all of which are given AAA ratings); and (3) credit default swaps, if applicable, for which the underlying security has a long term public rating. U.S. Government Securities consist of U.S. Treasury securities, and certain securities issued by certain U.S. government agencies or U.S. government-sponsored entities. All rated securities are assigned a rating in accordance with the following ratings hierarchy: If a security is rated by Moody's, then that rating is used; if not rated by Moody's, then a Standard & Poor's rating is used; if not rated by S&P, then a Fitch rating is used. Any equity securities are listed separately. The Other category includes cash, other assets, liabilities (including any derivative offsets), short-term and unrated debt securities. Ratings from Moody's (e.g., Aaa) are shown in the S&P and Fitch scale (e.g. AAA). All ratings are subject to change.
- (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.
- (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 applicable. These amounts may be negative from time to time. The bond component will include any accrued interest amounts. Equivalent exposure is a calculated amount that translates the derivative position into a reasonable approximation of the amount of the underlying asset that the portfolio would have to hold at a given point in time to have the same price sensitivity that results from the portfolio's ownership of the derivative contract. When dealing with derivatives, equivalent exposure is a more representative measure of the potential impact of a position on portfolio performance than market value.
- (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. From time to time Cash & Other Net Assets may be negative due to borrowings for leverage transactions, timing of cash receipts, and/or equivalent exposure from any derivative holdings.

Percentages are based on net assets as of 5/31/10, unless otherwise noted.

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

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MARKET ENVIRONMENT

After having suffered through one of the largest and most concentrated downturns since the 1930s, most asset markets staged a remarkable rebound during 2009 and early 2010. This recovery in global activity, which covers this reporting period, has been led importantly by emerging Asian economies, but broadening to include most of the global economy to varying degrees. Primary drivers of the recovery included an unwinding of the inventory destocking that took place earlier, the production of manufacturing and capital goods, as well as massive fiscal and monetary stimulus.

During the worst of the credit crisis, policy makers globally loosened monetary and fiscal policy on a massive scale. Having reached their lower bound on policy rates prior to the beginning of the reporting period, several central banks were implementing quantitative easing as a means to further loosen monetary policy to offset the continuing fall in global economic activity. However, by the beginning of the period, there were ever-broadening signs that the global macroeconomic deterioration had passed, which caused the subsequent rise in asset valuations. As most asset prices rebounded during the period and the demand for liquidity waned, the debate concerning the existence of asset bubbles and the need for monetary exit strategies had begun, creating added uncertainty regarding the forward path of policy rates. Late in the period, though, heightened risk surrounding the public-debt profiles of several of the peripheral European countries caused risky asset valuations to retrench considerably.

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INVESTMENT OBJECTIVE, PRINCIPAL INVESTMENT STRATEGIES AND RISKS OF THE FUND

Investment Objective

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

Principal Investment Strategies

MFS normally invests at least 80% of the fund's net assets, including assets attributable to borrowings for investment purposes, in high income debt instruments.

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

MFS may invest up to 100% of the fund's assets in lower quality debt instruments.

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

The fund's dollar-weighted average effective maturity will normally be between three and ten years. In determining an instrument's effective maturity, MFS uses the instrument's stated maturity or, if applicable, an earlier date on which MFS believes it is probable that a maturity-shortening device (such as a call, put, pre-refunding, prepayment or redemption provision, or an adjustable coupon) will cause the instrument to be repaid. Such an earlier date can be substantially shorter than the instrument's stated maturity.

MFS may invest the fund's assets in mortgage dollar rolls.

MFS may use derivatives for different purposes, including to earn income and enhance returns, to increase or decrease exposure to a particular market, to manage or adjust the risk profile of the fund, or as alternatives to direct investments.

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

The fund may use leverage by borrowing up to 33 1/3% of the fund's assets, including borrowings for investment purposes, and investing the proceeds

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

pursuant to its investment strategies. If approved by the fund's Board of Trustees, the fund may use leverage by other methods.

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

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

Principal Risks

The portfolio's yield and share prices change daily based on the credit quality of its investments and changes in interest rates. In general, the value of debt securities will decline when interest rates rise and will increase when interest rates fall. Debt securities with longer maturity dates will generally be subject to greater price fluctuations than those with shorter maturities. Mortgage securities are subject to prepayment risk which can offer less potential for gains in a declining interest rate environment and greater potential for loss in a rising interest rate environment. Derivatives can be highly volatile and involve risks in addition to those of the underlying indicators upon whose value the derivative is based. Gains or losses from derivatives can be substantially greater than the derivatives' original cost. Lower quality debt securities involve substantially greater risk of default and their value can decline significantly over time. Stock markets are volatile and can decline due to adverse issuer, market, industry, political, regulatory or economic conditions. The value of the portfolio's equity investments will fluctuate in response to many factors including company specific factors as well as general market, economic, political and regulatory conditions. Foreign investments can be more volatile than U.S. investments. Changes in currency exchange rates can affect the U.S. dollar rate of foreign currency investments and investments denominated in foreign currency. Investing in emerging markets can involve risks in addition to those generally associated with investing in more developed foreign markets. To the extent that investments are purchased with the proceeds from the borrowings from a bank, the fund's net asset value will increase or decrease at a greater rate than a comparable unleveraged fund. When you sell your shares, they may be worth more or less than the amount you paid for them. Please see the fund's registration statement for further information regarding these and other risk considerations. A copy of the fund's registration statement on Form N-2 is available on the EDGAR database on the Securities and Exchange Commission's Internet Web site at <http://sec.gov> and on the MFS Web site at mfs.com.

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

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PORTFOLIO MANAGERS PROFILES

John Addeo Investment Officer of MFS; employed in the investment management area of MFS since 1998. Portfolio manager of the fund since June 2007.

David Cole Investment Officer of MFS; employed in the investment management area of MFS since 2004. High Yield Analyst at Franklin Templeton Investments from 1999 to 2004. Portfolio manager of the fund since June 2007.

OTHER NOTES

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

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

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

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

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5/31/10 (unaudited)

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

| Bonds - 124.3% | | |
|--|-------------------|-------------------|
| Issuer | Shares/Par | Value (\$) |
| Aerospace - 2.1% | | |
| BE Aerospace, Inc., 8.5%, 2018 | \$ 315,000 | \$ 326,025 |
| Bombardier, Inc., 7.5%, 2018 (n) | 175,000 | 176,750 |
| Hawker Beechcraft Acquisition Co. LLC, 8.5%, 2015 | 406,000 | 340,025 |
| Oshkosh Corp., 8.25%, 2017 | 75,000 | 77,250 |
| Oshkosh Corp., 8.5%, 2020 | 85,000 | 87,975 |
| Spirit AeroSystems Holdings, Inc., 7.5%, 2017 | 240,000 | 236,400 |
| | | \$ 1,244,425 |
| Airlines - 1.5% | | |
| American Airlines Pass-Through Trust, 7.377%, 2019 | \$ 122,682 | \$ 99,373 |
| Continental Airlines, Inc., 7.339%, 2014 | 463,778 | 433,633 |
| Delta Air Lines, Inc., 7.711%, 2011 | 330,000 | 326,700 |
| | | \$ 859,706 |
| Apparel Manufacturers - 1.3% | | |
| Broder Brothers Co., 11.25%, 2010 | \$ 260,000 | \$ 210,600 |
| Hanesbrands, Inc., 8%, 2016 | 245,000 | 248,675 |
| Hanesbrands, Inc., FRN, 3.83%, 2014 | 220,000 | 205,700 |
| Phillips-Van Heusen Corp., 7.375%, 2020 | 120,000 | 120,600 |
| | | \$ 785,575 |
| Asset-Backed & Securitized - 1.7% | | |
| Banc of America Commercial Mortgage, Inc., FRN, 6.227%, 2051 (z) | \$ 450,000 | \$ 124,296 |
| Citigroup Commercial Mortgage Trust, FRN, 5.699%, 2049 | 275,000 | 56,789 |
| JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 5.746%, 2049 | 250,617 | 87,240 |
| JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 5.746%, 2049 | 404,598 | 126,826 |
| JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 5.746%, 2049 | 1,169,622 | 333,164 |
| JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 6.034%, 2051 | 155,000 | 44,115 |
| Merrill Lynch Mortgage Trust, FRN, 5.826%, 2050 | 155,000 | 46,796 |
| Merrill Lynch/Countrywide Commercial Mortgage Trust, FRN, 5.746%, 2050 | 125,000 | 93,090 |
| Wachovia Bank Commercial Mortgage Trust, FRN, 5.692%, 2047 | 250,000 | 50,356 |
| Wachovia Bank Commercial Mortgage Trust, FRN, 5.752%, 2047 | 175,000 | 30,665 |
| | | \$ 993,337 |

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

| Issuer | Shares/Par | Value (\$) |
|---|-------------|--------------|
| Bonds - continued | | |
| Automotive - 3.5% | | |
| Allison Transmission, Inc., 11%, 2015 (n) | \$ 235,000 | \$ 245,575 |
| Ford Motor Credit Co. LLC, 12%, 2015 | 1,110,000 | 1,293,128 |
| General Motors Corp., 7.125%, 2013 (d) | 455,000 | 147,875 |
| Goodyear Tire & Rubber Co., 8.625%, 2011 | 107,000 | 109,942 |
| Goodyear Tire & Rubber Co., 9%, 2015 | 194,000 | 198,850 |
| Goodyear Tire & Rubber Co., 10.5%, 2016 | 65,000 | 68,900 |
| | | \$ 2,064,270 |
| Basic Industry - 0.4% | | |
| TriMas Corp., 9.75%, 2017 (n) | \$ 215,000 | \$ 218,225 |
| Broadcasting - 6.5% | | |
| Allbritton Communications Co., 8%, 2018 (n) | \$ 130,000 | \$ 122,850 |
| Bonten Media Acquisition Co., 9.75%, 2015 (p)(z) | 134,221 | 72,071 |
| Gray Television, Inc., 10.5%, 2015 (z) | 90,000 | 85,050 |
| Inmarsat Finance PLC, 7.375%, 2017 (n) | 330,000 | 329,175 |
| Intelsat Jackson Holdings Ltd., 9.5%, 2016 | 540,000 | 556,200 |
| Lamar Media Corp., 6.625%, 2015 | 260,000 | 247,000 |
| Lamar Media Corp., C, 6.625%, 2015 | 165,000 | 155,100 |
| LBI Media, Inc., 8.5%, 2017 (z) | 150,000 | 127,500 |
| LIN TV Corp., 6.5%, 2013 | 355,000 | 343,906 |
| Local TV Finance LLC, 9.25%, 2015 (p)(z) | 268,852 | 205,224 |
| Newport Television LLC, 13%, 2017 (n)(p) | 281,700 | 225,419 |
| Nexstar Broadcasting Group, Inc., 0.5% to 2011, 7% to 2014 (n)(p) | 292,534 | 260,160 |
| Nexstar Broadcasting Group, Inc., 7%, 2014 | 96,000 | 85,560 |
| Salem Communications Corp., 9.625%, 2016 | 75,000 | 75,938 |
| Sinclair Broadcast Group, Inc., 9.25%, 2017 (n) | 125,000 | 123,750 |
| SIRIUS XM Radio, Inc., 8.75%, 2015 (n) | 220,000 | 213,400 |
| Univision Communications, Inc., 12%, 2014 (n) | 95,000 | 102,125 |
| Univision Communications, Inc., 9.75%, 2015 (n)(p) | 542,347 | 447,979 |
| Young Broadcasting, Inc., 8.75%, 2014 (d) | 120,000 | 240 |
| | | \$ 3,778,647 |
| Brokerage & Asset Managers - 1.2% | | |
| E*TRADE Financial Corp., 7.875%, 2015 | \$ 260,000 | \$ 239,200 |
| Janus Capital Group, Inc., 6.95%, 2017 | 275,000 | 281,119 |
| Nuveen Investments, Inc., 10.5%, 2015 | 185,000 | 166,500 |
| | | \$ 686,819 |
| Building - 2.6% | | |
| Associated Materials, Inc., 11.25%, 2014 | \$ 270,000 | \$ 268,650 |
| Building Materials Holding Corp., 7%, 2020 (n) | 115,000 | 113,850 |
| CEMEX Finance Europe B.V., 9.625%, 2017 (n) | EUR 150,000 | 167,799 |

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

| Issuer | Shares/Par | Value (\$) |
|--|-------------|--------------|
| Bonds - continued | | |
| Building - continued | | |
| Masco Corp., 7.125%, 2020 | \$ 110,000 | \$ 106,566 |
| Nortek, Inc., 11%, 2013 | 381,688 | 396,956 |
| Owens Corning, 9%, 2019 | 150,000 | 173,093 |
| Ply Gem Industries, Inc., 11.75%, 2013 | 115,000 | 117,875 |
| Ply Gem Industries, Inc., 13.125%, 2014 (n) | 185,000 | 186,850 |
| | | \$ 1,531,639 |
| Business Services - 3.1% | | |
| First Data Corp., 9.875%, 2015 | \$ 685,000 | \$ 558,275 |
| First Data Corp., 11.25%, 2016 | 80,000 | 51,200 |
| Iron Mountain, Inc., 6.625%, 2016 | 185,000 | 182,225 |
| Iron Mountain, Inc., 8.375%, 2021 | 135,000 | 137,025 |
| SunGard Data Systems, Inc., 9.125%, 2013 | 365,000 | 368,650 |
| SunGard Data Systems, Inc., 10.25%, 2015 | 377,000 | 381,241 |
| Terremark Worldwide, Inc., 12.25%, 2017 (n) | 95,000 | 107,825 |
| | | \$ 1,786,441 |
| Cable TV - 3.2% | | |
| Cablevision Systems Corp., 8.625%, 2017 (n) | \$ 375,000 | \$ 376,875 |
| CCH II LLC/CCH II Capital Corp., 13.5%, 2016 | 55,000 | 63,044 |
| Charter Communications Holding Co. LLC, 7.875%, 2018 (n) | 65,000 | 63,781 |
| Charter Communications Holding Co. LLC, 8.125%, 2020 (n) | 40,000 | 39,600 |
| Charter Communications, Inc., 10.875%, 2014 (n) | 260,000 | 284,050 |
| CSC Holdings, Inc., 8.5%, 2014 (n) | 255,000 | 265,200 |
| EchoStar Corp., 7.125%, 2016 | 90,000 | 88,200 |
| Mediacom LLC, 9.125%, 2019 (n) | 255,000 | 252,450 |
| Videotron LTEE, 6.875%, 2014 | 110,000 | 109,450 |
| Virgin Media Finance PLC, 9.125%, 2016 | 100,000 | 101,125 |
| Virgin Media Finance PLC, 9.5%, 2016 | 200,000 | 205,000 |
| | | \$ 1,848,775 |
| Chemicals - 3.6% | | |
| Ashland, Inc., 9.125%, 2017 | \$ 385,000 | \$ 421,575 |
| Hexion Finance Escrow LLC, 8.875%, 2018 (n) | 290,000 | 268,250 |
| Hexion Specialty Chemicals, Inc., 9.75%, 2014 | 160,000 | 152,800 |
| Huntsman International LLC, 6.875%, 2013 (n) | EUR 200,000 | 231,108 |
| Lumena Resources Corp., 12%, 2014 (n) | \$ 152,000 | 133,760 |
| Lyondell Chemical Co., 11%, 2018 | 120,539 | 127,771 |
| Momentive Performance Materials, Inc., 12.5%, 2014 (n) | 455,000 | 491,400 |
| Momentive Performance Materials, Inc., 11.5%, 2016 | 109,000 | 97,555 |
| Solutia, Inc., 7.875%, 2020 | 180,000 | 179,100 |
| | | \$ 2,103,319 |

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Portfolio of Investments (unaudited) continued

| Issuer | Shares/Par | Value (\$) |
|---|------------|--------------|
| Bonds - continued | | |
| Computer Software - Systems - 0.5% | | |
| DuPont Fabros Technology, Inc., 8.5%, 2017 (n) | \$ 285,000 | \$ 287,850 |
| Consumer Products - 1.4% | | |
| ACCO Brands Corp., 10.625%, 2015 | \$ 30,000 | \$ 32,475 |
| ACCO Brands Corp., 7.625%, 2015 | 80,000 | 74,400 |
| Central Garden & Pet Co., 8.25%, 2018 | 150,000 | 148,500 |
| Easton-Bell Sports, Inc., 9.75%, 2016 (n) | 95,000 | 98,087 |
| Jarden Corp., 7.5%, 2017 | 215,000 | 210,700 |
| Libbey Glass, Inc., 10%, 2015 (n) | 145,000 | 150,438 |
| Visant Holding Corp., 8.75%, 2013 | 125,000 | 125,938 |
| | | \$ 840,538 |
| Consumer Services - 2.8% | | |
| KAR Holdings, Inc., 10%, 2015 | \$ 340,000 | \$ 340,850 |
| KAR Holdings, Inc., FRN, 4.344%, 2014 | 100,000 | 90,250 |
| Live Nation Entertainment, Inc., 8.125%, 2018 (z) | 75,000 | 74,250 |
| Realty Corp., 10.5%, 2014 | 110,000 | 93,500 |
| Service Corp. International, 7.375%, 2014 | 50,000 | 50,500 |
| Service Corp. International, 7%, 2017 | 785,000 | 761,450 |
| Ticketmaster Entertainment, Inc., 10.75%, 2016 | 215,000 | 233,275 |
| | | \$ 1,644,075 |
| Containers - 1.6% | | |
| Graham Packaging Holdings Co., 9.875%, 2014 | \$ 400,000 | \$ 403,000 |
| Greif, Inc., 6.75%, 2017 | 350,000 | 342,563 |
| Owens-Illinois, Inc., 7.375%, 2016 | 95,000 | 96,663 |
| Reynolds Group, 7.75%, 2016 (n) | 105,000 | 103,950 |
| | | \$ 946,176 |
| Defense Electronics - 0.7% | | |
| L-3 Communications Corp., 6.375%, 2015 | \$ 310,000 | \$ 310,000 |
| ManTech International Corp., 7.25%, 2018 (z) | 120,000 | 120,300 |
| | | \$ 430,300 |
| Electronics - 1.2% | | |
| Freescale Semiconductor, Inc., 8.875%, 2014 | \$ 180,000 | \$ 162,450 |
| Freescale Semiconductor, Inc., 10.125%, 2018 (n) | 150,000 | 155,625 |
| Freescale Semiconductor, Inc., 9.25%, 2018 (z) | 160,000 | 158,800 |
| Jabil Circuit, Inc., 7.75%, 2016 | 160,000 | 163,600 |
| NXP B.V./NXP Funding LLC, 7.875%, 2014 | 90,000 | 83,025 |
| | | \$ 723,500 |

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

| Issuer | Shares/Par | Value (\$) |
|--|------------|--------------|
| Bonds - continued | | |
| Energy - Independent - 6.1% | | |
| ATP Oil & Gas Corp., 11.875%, 2015 (z) | \$ 55,000 | \$ 43,175 |
| Berry Petroleum Co., 10.25%, 2014 | 150,000 | 159,750 |
| Chaparral Energy, Inc., 8.875%, 2017 | 220,000 | 199,100 |
| Chesapeake Energy Corp., 7%, 2014 | 114,000 | 116,137 |
| Chesapeake Energy Corp., 9.5%, 2015 | 90,000 | 97,425 |
| Chesapeake Energy Corp., 6.375%, 2015 | 50,000 | 49,875 |
| Hilcorp Energy I LP, 9%, 2016 (n) | 280,000 | 284,200 |
| Newfield Exploration Co., 6.625%, 2014 | 155,000 | 155,388 |
| OPTI Canada, Inc., 8.25%, 2014 | 260,000 | 222,300 |
| Penn Virginia Corp., 10.375%, 2016 | 280,000 | 298,200 |
| Petrohawk Energy Corp., 10.5%, 2014 | 140,000 | 148,050 |
| Pioneer Natural Resources Co., 6.875%, 2018 | 175,000 | 170,583 |
| Pioneer Natural Resources Co., 7.5%, 2020 | 200,000 | 199,988 |
| Plains Exploration & Production Co., 7%, 2017 | 465,000 | 425,475 |
| Quicksilver Resources, Inc., 8.25%, 2015 | 230,000 | 224,250 |
| Quicksilver Resources, Inc., 9.125%, 2019 | 55,000 | 55,138 |
| Range Resources Corp., 8%, 2019 | 170,000 | 175,100 |
| SandRidge Energy, Inc., 8%, 2018 (n) | 205,000 | 183,475 |
| Southwestern Energy Co., 7.5%, 2018 | 175,000 | 183,750 |
| Williams Cos., Inc., 7.75%, 2031 | 159,000 | 173,467 |
| | | \$ 3,564,826 |
| Entertainment - 1.7% | | |
| AMC Entertainment, Inc., 11%, 2016 | \$ 325,000 | \$ 333,125 |
| AMC Entertainment, Inc., 8.75%, 2019 | 250,000 | 252,500 |
| Cinemark USA, Inc., 8.625%, 2019 | 380,000 | 383,800 |
| | | \$ 969,425 |
| Financial Institutions - 4.6% | | |
| CIT Group, Inc., 7%, 2014 | \$ 215,000 | \$ 202,100 |
| CIT Group, Inc., 7%, 2017 | 695,000 | 627,237 |
| CIT Group, Inc., 10.25%, 2017 | 120,000 | 123,000 |
| Credit Acceptance Corp., 9.125%, 2017 (z) | 135,000 | 136,350 |
| GMAC, Inc., 6.75%, 2014 | 370,000 | 352,425 |
| GMAC, Inc., 8%, 2031 | 514,000 | 467,740 |
| International Lease Finance Corp., 5.625%, 2013 | 385,000 | 337,837 |
| International Lease Finance Corp., 8.75%, 2017 (n) | 350,000 | 320,250 |
| Nationstar Mortgage LLC, 10.875%, 2015 (z) | 135,000 | 115,425 |
| | | \$ 2,682,364 |
| Food & Beverages - 3.3% | | |
| ARAMARK Corp., 8.5%, 2015 | \$ 430,000 | \$ 428,925 |
| B&G Foods, Inc., 7.625%, 2018 | 125,000 | 124,687 |

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

| Issuer | Shares/Par | Value (\$) |
|---|-------------|--------------|
| Bonds - continued | | |
| Food & Beverages - continued | | |
| CEDC Finance Corp. International, Inc., 9.125%, 2016 (n) | \$ 210,000 | \$ 206,850 |
| Constellation Brands, Inc., 7.25%, 2016 | 180,000 | 179,100 |
| Del Monte Foods Co., 6.75%, 2015 | 335,000 | 335,838 |
| Pinnacle Foods Finance LLC, 9.25%, 2015 | 330,000 | 329,175 |
| Smithfield Foods, Inc., 7.75%, 2017 | 90,000 | 84,600 |
| TreeHouse Foods, Inc., 7.75%, 2018 | 240,000 | 245,400 |
| | | \$ 1,934,575 |
| Forest & Paper Products - 4.0% | | |
| Abitibi-Consolidated, Inc., 8.375%, 2015 (d) | \$ 380,000 | \$ 68,400 |
| Boise, Inc., 8%, 2020 (n) | 225,000 | 226,687 |
| Bowater, Inc., 6.5%, 2013 (d) | 500,000 | 172,500 |
| Cascades, Inc., 7.75%, 2017 (n) | 205,000 | 197,825 |
| Cellu Tissue Holdings, Inc., 11.5%, 2014 | 235,000 | 252,625 |
| Georgia-Pacific Corp., 7.125%, 2017 (n) | 190,000 | 189,050 |
| Georgia-Pacific Corp., 8%, 2024 | 425,000 | 443,062 |
| Georgia-Pacific Corp., 7.25%, 2028 | 55,000 | 52,250 |
| Graphic Packaging International Corp., 9.5%, 2013 | 165,000 | 167,887 |
| Jefferson Smurfit Corp., 8.25%, 2012 (d) | 70,000 | 59,325 |
| JSG Funding PLC, 7.75%, 2015 | 10,000 | 9,738 |
| Millar Western Forest Products Ltd., 7.75%, 2013 | 375,000 | 330,000 |
| Smurfit Kappa Group PLC, 7.75%, 2019 (n) | EUR 120,000 | 146,041 |
| | | \$ 2,315,390 |
| Gaming & Lodging - 7.2% | | |
| Ameristar Casinos, Inc., 9.25%, 2014 | \$ 85,000 | \$ 87,125 |
| Circus & Eldorado Joint Venture, 10.125%, 2012 | 300,000 | 279,000 |
| FelCor Lodging Trust, Inc., 10%, 2014 | 70,000 | 70,000 |
| Firekeepers Development Authority, 13.875%, 2015 (n) | 335,000 | 383,575 |
| Fontainebleau Las Vegas Holdings LLC, 10.25%, 2015 (d)(n) | 695,000 | 7,819 |
| Gaylord Entertainment Co., 6.75%, 2014 | 305,000 | 282,125 |
| GWR Operating Partnership LLP, 10.875%, 2017 (z) | 220,000 | 215,875 |
| Harrah s Operating Co., Inc., 11.25%, 2017 | 155,000 | 162,362 |
| Harrah s Operating Co., Inc., 10%, 2018 | 164,000 | 129,560 |
| Harrah s Operating Co., Inc., 10%, 2018 | 340,000 | 268,600 |
| Host Hotels & Resorts, Inc., 6.75%, 2016 | 250,000 | 245,000 |
| Host Hotels & Resorts, Inc., 9%, 2017 (n) | 340,000 | 360,400 |
| MGM Mirage, 10.375%, 2014 (n) | 40,000 | 42,500 |
| MGM Mirage, 7.5%, 2016 | 155,000 | 124,000 |
| MGM Mirage, 11.125%, 2017 (n) | 105,000 | 113,663 |
| MGM Mirage, 11.375%, 2018 (n) | 260,000 | 240,500 |
| MGM Mirage, 9%, 2020 (z) | 165,000 | 165,413 |
| Midwest Gaming, Inc., 11.625%, 2016 (n) | 65,000 | 63,375 |

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

| Issuer | Shares/Par | Value (\$) |
|--|------------|--------------|
| Bonds - continued | | |
| Gaming & Lodging - continued | | |
| Penn National Gaming, Inc., 8.75%, 2019 (n) | \$ 185,000 | \$ 187,775 |
| Pinnacle Entertainment, Inc., 7.5%, 2015 | 145,000 | 134,850 |
| Royal Caribbean Cruises Ltd., 7%, 2013 | 65,000 | 63,944 |
| Royal Caribbean Cruises Ltd., 11.875%, 2015 | 185,000 | 209,975 |
| Starwood Hotels & Resorts Worldwide, Inc., 6.75%, 2018 | 100,000 | 98,750 |
| Station Casinos, Inc., 6%, 2012 (d) | 245,000 | 15,313 |
| Station Casinos, Inc., 6.875%, 2016 (d) | 715,000 | 6,256 |
| Station Casinos, Inc., 6.625%, 2018 (d) | 875,000 | 6,563 |
| Wyndham Worldwide Corp., 6%, 2016 | 240,000 | 232,947 |
| | | \$ 4,197,265 |
| Industrial - 2.0% | | |
| Altra Holdings, Inc., 8.125%, 2016 (n) | \$ 115,000 | \$ 114,712 |
| Aquilex Corp., 11.125%, 2016 (n) | 60,000 | 60,000 |
| Baldor Electric Co., 8.625%, 2017 | 465,000 | 473,137 |
| Great Lakes Dredge & Dock Corp., 7.75%, 2013 | 140,000 | 139,825 |
| Hillman Cos., Inc., 10.875%, 2018 (z) | 140,000 | 138,950 |
| Johnsondiversey Holdings, Inc., 8.25%, 2019 (n) | 160,000 | 164,000 |
| RBS Global, Inc. & Rexnord LLC, 8.5%, 2018 (n) | 110,000 | 104,500 |
| | | \$ 1,195,124 |
| Insurance - 2.3% | | |
| American International Group, Inc., 8.175%, to 2038, FRN to 2058 | \$ 435,000 | \$ 339,300 |
| ING Groep N.V., 5.775% to 2015, FRN to 2049 | 470,000 | 344,176 |
| MetLife, Inc., 9.25% to 2038, FRN to 2068 (n) | 600,000 | 654,000 |
| | | \$ 1,337,476 |
| Insurance - Property & Casualty - 2.3% | | |
| Liberty Mutual Group, Inc., 10.75% to 2038, FRN to 2058 (n) | \$ 330,000 | \$ 353,100 |
| USI Holdings Corp., 9.75%, 2015 (z) | 575,000 | 523,250 |
| ZFS Finance USA Trust II, 6.45% to 2016, FRN to 2065 (n) | 500,000 | 455,000 |
| | | \$ 1,331,350 |
| Machinery & Tools - 1.3% | | |
| Case Corp., 7.25%, 2016 | \$ 90,000 | \$ 90,450 |
| Case New Holland, Inc., 7.125%, 2014 | 335,000 | 335,000 |
| Rental Service Corp., 9.5%, 2014 | 325,000 | 308,750 |
| | | \$ 734,200 |
| Major Banks - 2.4% | | |
| Bank of America Corp., 8% to 2018, FRN to 2049 | \$ 635,000 | \$ 610,451 |
| JPMorgan Chase & Co., 7.9% to 2018, FRN to 2049 | 470,000 | 478,107 |
| Royal Bank of Scotland Group PLC, 6.99% to 2017, FRN to 2049 (n) | 100,000 | 65,000 |

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

| Issuer | Shares/Par | Value (\$) |
|--|------------|--------------|
| Bonds - continued | | |
| Major Banks - continued | | |
| Royal Bank of Scotland Group PLC, FRN, 7.648%, 2049 | \$ 310,000 | \$ 232,500 |
| | | \$ 1,386,058 |
| Medical & Health Technology & Services - 9.7% | | |
| Biomet, Inc., 11.625%, 2017 | \$ 405,000 | \$ 432,337 |
| Community Health Systems, Inc., 8.875%, 2015 | 435,000 | 445,331 |
| Cooper Cos., Inc., 7.125%, 2015 | 120,000 | 118,800 |
| DaVita, Inc., 7.25%, 2015 | 395,000 | 393,025 |
| Fresenius Medical Care AG & Co. KGaA, 9%, 2015 (n) | 165,000 | 179,850 |
| HCA, Inc., 6.375%, 2015 | 200,000 | 183,500 |
| HCA, Inc., 9.25%, 2016 | 1,025,000 | 1,073,687 |
| HCA, Inc., 8.5%, 2019 (n) | 160,000 | 167,200 |
| HealthSouth Corp., 8.125%, 2020 | 260,000 | 252,200 |
| Psychiatric Solutions, Inc., 7.75%, 2015 | 165,000 | 169,125 |
| Tenet Healthcare Corp., 9.25%, 2015 | 425,000 | 436,688 |
| U.S. Oncology, Inc., 10.75%, 2014 | 215,000 | 219,569 |
| U.S. Oncology, Inc., FRN, 6.643%, 2012 (p) | 315,000 | 283,728 |
| United Surgical Partners International, Inc., 8.875%, 2017 | 50,000 | 50,000 |
| United Surgical Partners International, Inc., 9.25%, 2017 (p) | 80,000 | 79,400 |
| Universal Hospital Services, Inc., 8.5%, 2015 (p) | 400,000 | 384,000 |
| Vanguard Health Systems, Inc., 8%, 2018 | 195,000 | 185,250 |
| VWR Funding, Inc., 10.25%, 2015 (p) | 602,062 | 608,083 |
| | | \$ 5,661,773 |
| Metals & Mining - 2.9% | | |
| Arch Western Finance LLC, 6.75%, 2013 | \$ 180,000 | \$ 177,750 |
| Cloud Peak Energy, Inc., 8.25%, 2017 (n) | 140,000 | 138,250 |
| Cloud Peak Energy, Inc., 8.5%, 2019 (n) | 140,000 | 139,300 |
| CONSOL Energy, Inc., 8%, 2017 (n) | 170,000 | 172,762 |
| CONSOL Energy, Inc., 8.25%, 2020 (n) | 110,000 | 112,337 |
| FMG Finance Ltd., 10.625%, 2016 (n) | 190,000 | 209,000 |
| Peabody Energy Corp., 7.375%, 2016 | 350,000 | 363,125 |
| Teck Resources Ltd., 10.25%, 2016 | 45,000 | 52,875 |
| Teck Resources Ltd., 10.75%, 2019 | 155,000 | 186,775 |
| U.S. Steel Corp., 7.375%, 2020 | 170,000 | 166,175 |
| | | \$ 1,718,349 |
| Municipals - 0.5% | | |
| Virginia Tobacco Settlement Financing Corp., A-1, 6.706%, 2046 | \$ 410,000 | \$ 301,912 |
| Natural Gas - Distribution - 1.4% | | |
| AmeriGas Partners LP, 7.125%, 2016 | \$ 295,000 | \$ 293,525 |
| Ferrellgas Partners LP, 8.625%, 2020 | 180,000 | 178,650 |

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

| Issuer | Shares/Par | Value (\$) |
|--|-------------|--------------|
| Bonds - continued | | |
| Natural Gas - Distribution - continued | | |
| Inergy LP, 6.875%, 2014 | \$ 335,000 | \$ 328,300 |
| | | \$ 800,475 |
| Natural Gas - Pipeline - 2.7% | | |
| Atlas Pipeline Partners LP, 8.125%, 2015 | \$ 175,000 | \$ 165,375 |
| Atlas Pipeline Partners LP, 8.75%, 2018 | 250,000 | 236,250 |
| Colorado Interstate Gas Co., 6.8%, 2015 | 91,000 | 103,131 |
| Crosstex Energy, Inc., 8.875%, 2018 (n) | 170,000 | 167,450 |
| El Paso Corp., 6.875%, 2014 | 325,000 | 325,847 |
| El Paso Corp., 8.25%, 2016 | 155,000 | 160,425 |
| El Paso Corp., 7%, 2017 | 100,000 | 97,677 |
| El Paso Corp., 7.75%, 2032 | 90,000 | 84,555 |
| MarkWest Energy Partners LP, 6.875%, 2014 | 210,000 | 200,025 |
| MarkWest Energy Partners LP, 8.75%, 2018 | 40,000 | 40,400 |
| | | \$ 1,581,135 |
| Network & Telecom - 5.4% | | |
| Cincinnati Bell, Inc., 7%, 2015 | \$ 395,000 | \$ 368,337 |
| Cincinnati Bell, Inc., 8.75%, 2018 | 270,000 | 249,750 |
| Citizens Communications Co., 7.875%, 2027 | 325,000 | 297,375 |
| Citizens Communications Co., 9%, 2031 | 70,000 | 65,975 |
| New Communications Holdings, Inc., 8.25%, 2017 (n) | 65,000 | 64,350 |
| New Communications Holdings, Inc., 8.5%, 2020 (n) | 55,000 | 54,175 |
| Nordic Telephone Co. Holdings, 8.25%, 2016 (n) | EUR 240,000 | 301,670 |
| Orascom Telecom Finance S.C.A., 7.875%, 2014 (z) | \$ 225,000 | 202,500 |
| Qwest Communications International, Inc., 8%, 2015 (n) | 105,000 | 105,263 |
| Qwest Communications International, Inc., 7.125%, 2018 (n) | 205,000 | 199,875 |
| Qwest Communications International, Inc. B, 7.5%, 2014 | 250,000 | 246,250 |
| Qwest Corp., 7.5%, 2014 | 145,000 | 152,613 |
| Qwest Corp., 8.375%, 2016 | 105,000 | 113,925 |
| Windstream Corp., 8.625%, 2016 | 715,000 | 707,850 |
| | | \$ 3,129,908 |
| Oil Services - 1.4% | | |
| Allis-Chalmers Energy, Inc., 8.5%, 2017 | \$ 185,000 | \$ 162,800 |
| Basic Energy Services, Inc., 7.125%, 2016 | 65,000 | 55,250 |
| Edgen Murray Corp., 12.25%, 2015 (n) | 70,000 | 63,000 |
| Expro Finance Luxembourg, 8.5%, 2016 (n) | 200,000 | 194,000 |
| McJunkin Red Man Holding Corp., 9.5%, 2016 (n) | 210,000 | 203,700 |
| Pioneer Drilling Co., 9.875%, 2018 (n) | 165,000 | 163,350 |
| | | \$ 842,100 |

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

| Issuer | Shares/Par | Value (\$) |
|--|------------|--------------|
| Bonds - continued | | |
| Oils - 0.3% | | |
| Petroplus Holdings AG, 9.375%, 2019 (n) | \$ 205,000 | \$ 188,600 |
| Other Banks & Diversified Financials - 1.4% | | |
| Capital One Financial Corp., 10.25%, 2039 | \$ 220,000 | \$ 236,500 |
| Citigroup Capital XXI, FRN, 8.3%, 2057 | 245,000 | 233,975 |
| LBG Capital No.1 PLC, 7.875%, 2020 (n) | 230,000 | 180,550 |
| Santander UK PLC, 8.963% to 2030, FRN to 2049 | 170,000 | 166,745 |
| | | \$ 817,770 |
| Printing & Publishing - 1.8% | | |
| American Media Operations, Inc., 9%, 2013 (p)(z) | \$ 26,886 | \$ 17,308 |
| American Media Operations, Inc., 14%, 2013 (p)(z) | 275,069 | 156,461 |
| McClatchy Co., 11.5%, 2017 (n) | 180,000 | 180,900 |
| Morris Publishing Group LLC, 10%, 2014 | 105,785 | 101,025 |
| Nielsen Finance LLC, 10%, 2014 | 255,000 | 259,144 |
| Nielsen Finance LLC, 11.5%, 2016 | 150,000 | 159,000 |
| Nielsen Finance LLC, 0% to 2011, 12.5% to 2016 | 175,000 | 161,875 |
| | | \$ 1,035,713 |
| Railroad & Shipping - 0.5% | | |
| Kansas City Southern Railway, 8%, 2015 | \$ 310,000 | \$ 310,000 |
| Real Estate - 0.3% | | |
| CB Richard Ellis Group, Inc., 11.625%, 2017 | \$ 180,000 | \$ 200,700 |
| Retailers - 4.6% | | |
| Couche-Tard, Inc., 7.5%, 2013 | \$ 70,000 | \$ 69,825 |
| Dollar General Corp., 11.875%, 2017 (p) | 83,000 | 94,620 |
| Express Parent LLC, 8.75%, 2018 (n) | 110,000 | 110,825 |
| General Nutrition Centers, Inc., FRN, 5.75%, 2014 (p) | 205,000 | 188,087 |
| Limited Brands, Inc., 6.9%, 2017 | 125,000 | 124,375 |
| Limited Brands, Inc., 6.95%, 2033 | 175,000 | 152,250 |
| Macy's, Inc., 5.75%, 2014 | 270,000 | 272,700 |
| Macy's, Inc., 5.9%, 2016 | 215,000 | 215,537 |
| Neiman Marcus Group, Inc., 10.375%, 2015 | 350,000 | 344,750 |
| QVC, Inc., 7.375%, 2020 (n) | 170,000 | 164,900 |
| Sally Beauty Holdings, Inc., 10.5%, 2016 | 275,000 | 291,500 |
| Toys R Us, Inc., 10.75%, 2017 (n) | 280,000 | 310,100 |
| Toys R Us, Inc., 8.5%, 2017 (n) | 330,000 | 340,725 |
| | | \$ 2,680,194 |
| Specialty Chemicals - 0.2% | | |
| INVISTA, 9.25%, 2012 (n) | \$ 137,000 | \$ 139,250 |

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Portfolio of Investments (unaudited) continued

| Issuer | Shares/Par | Value (\$) |
|---|------------|--------------|
| Bonds - continued | | |
| Specialty Stores - 0.4% | | |
| Payless ShoeSource, Inc., 8.25%, 2013 | \$ 262,000 | \$ 262,655 |
| Supermarkets - 0.1% | | |
| SUPERVALU, Inc., 8%, 2016 | \$ 65,000 | \$ 64,025 |
| Telecommunications - Wireless - 5.3% | | |
| Clearwire Corp., 12%, 2015 (n) | \$ 425,000 | \$ 412,250 |
| Cricket Communications, Inc., 7.75%, 2016 | 135,000 | 137,025 |
| Crown Castle International Corp., 9%, 2015 | 215,000 | 226,019 |
| Crown Castle International Corp., 7.75%, 2017 (n) | 105,000 | 111,300 |
| Crown Castle International Corp., 7.125%, 2019 | 210,000 | 203,700 |
| Digicel Group Ltd., 8.25%, 2017 (n) | 235,000 | 230,300 |
| Digicel Group Ltd., 10.5%, 2018 (n) | 100,000 | 101,250 |
| Nextel Communications, Inc., 6.875%, 2013 | 135,000 | 129,263 |
| NII Holdings, Inc., 10%, 2016 | 160,000 | 171,200 |
| SBA Communications Corp., 8%, 2016 (n) | 80,000 | 82,400 |
| SBA Communications Corp., 8.25%, 2019 (n) | 65,000 | 67,763 |
| Sprint Capital Corp., 6.875%, 2028 | 90,000 | 74,813 |
| Sprint Nextel Corp., 8.375%, 2017 | 235,000 | 230,888 |
| Sprint Nextel Corp., 8.75%, 2032 | 400,000 | 381,000 |
| Wind Acquisition Finance S.A., 12%, 2015 (n) | 515,000 | 530,450 |
| | | \$ 3,089,621 |
| Telephone Services - 0.6% | | |
| Embarq Corp., 7.995%, 2036 | \$ 160,000 | \$ 161,277 |
| Frontier Communications Corp., 8.125%, 2018 | 195,000 | 191,100 |
| | | \$ 352,377 |
| Tobacco - 1.1% | | |
| Alliance One International, Inc., 10%, 2016 (n) | \$ 155,000 | \$ 158,100 |
| Alliance One International, Inc., 10%, 2016 (n) | 80,000 | 81,600 |
| Reynolds American, Inc., 7.625%, 2016 | 345,000 | 376,995 |
| | | \$ 616,695 |
| Transportation - Services - 1.7% | | |
| American Petroleum Tankers LLC, 10.25%, 2015 (z) | \$ 95,000 | \$ 94,050 |
| Commercial Barge Line Co., 12.5%, 2017 | 285,000 | 300,675 |
| Hertz Corp., 8.875%, 2014 | 595,000 | 597,975 |
| | | \$ 992,700 |
| Utilities - Electric Power - 5.9% | | |
| AES Corp., 8%, 2017 | \$ 505,000 | \$ 496,162 |
| Calpine Corp., 8%, 2016 (n) | 415,000 | 419,150 |

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

| Issuer | Shares/Par | Value (\$) |
|--|------------|----------------------|
| Bonds - continued | | |
| Utilities - Electric Power - continued | | |
| Dynergy Holdings, Inc., 7.5%, 2015 | \$ 125,000 | \$ 102,500 |
| Dynergy Holdings, Inc., 7.125%, 2018 | 540,000 | 388,800 |
| Dynergy Holdings, Inc., 7.75%, 2019 | 90,000 | 65,025 |
| Edison Mission Energy, 7%, 2017 | 410,000 | 277,262 |
| Energy Future Holdings Corp., 10%, 2020 (n) | 225,000 | 223,875 |
| Mirant North America LLC, 7.375%, 2013 | 340,000 | 340,850 |
| NRG Energy, Inc., 7.375%, 2016 | 350,000 | 338,625 |
| NRG Energy, Inc., 7.375%, 2017 | 245,000 | 232,750 |
| Texas Competitive Electric Holdings LLC, 10.25%, 2015 | 845,000 | 566,150 |
| | | \$ 3,451,149 |
| Total Bonds (Identified Cost, \$76,821,960) | | \$ 72,658,771 |
| Floating Rate Loans (g)(r) - 3.4% | | |
| Aerospace - 0.2% | | |
| Hawker Beechcraft Acquisition Co. LLC, Term Loan, 10.5%, 2014 | \$ 107,817 | \$ 106,577 |
| Automotive - 1.2% | | |
| Ford Motor Co., Term Loan B, 3.32%, 2013 (o) | \$ 732,265 | \$ 681,790 |
| Broadcasting - 0.8% | | |
| Gray Television, Inc., Term Loan B, 3.8%, 2014 | \$ 68,049 | \$ 63,513 |
| Local TV Finance LLC, Term Loan B, 2.3%, 2013 | 15,491 | 13,916 |
| Young Broadcasting, Inc., Incremental Term Loan, 4.75%, 2012 (d) | 109,414 | 101,960 |
| Young Broadcasting, Inc., Term Loan, 4.75%, 2012 (d) | 308,618 | 287,593 |
| | | \$ 466,982 |
| Consumer Services - 0.1% | | |
| Realty Corp., Letter of Credit, 3.37%, 2013 | \$ 22,429 | \$ 18,908 |
| Realty Corp., Term Loan, 3.29%, 2013 | 83,308 | 70,229 |
| | | \$ 89,137 |
| Financial Institutions - 0.1% | | |
| American General Financial Corp., Term Loan B, 7.25%, 2015 | \$ 32,250 | \$ 31,218 |
| Gaming & Lodging - 0.1% | | |
| Green Valley Ranch Gaming LLC, Second Lien Term Loan, 3.5%, 2014 (d) | \$ 525,000 | \$ 30,844 |
| Printing & Publishing - 0.2% | | |
| Tribune Co., Incremental Term Loan B, 5.25%, 2014 (d)(o) | \$ 258,166 | \$ 150,867 |

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

| Issuer | Shares/Par | Value (\$) |
|---|------------|---------------------|
| Floating Rate Loans (g)(r) - continued | | |
| Specialty Stores - 0.1% | | |
| Michaels Stores, Inc., Term Loan B1, 2.69%, 2013 | \$ 91,171 | \$ 82,933 |
| Utilities - Electric Power - 0.6% | | |
| Texas Competitive Electric Holdings Co. LLC, Term Loan B-2, 3.96%, 2014 (o) | \$ 250,600 | \$ 192,515 |
| Texas Competitive Electric Holdings Co. LLC, Term Loan B-3, 3.79%, 2014 | 216,461 | 165,322 |
| | | \$ 357,837 |
| Total Floating Rate Loans (Identified Cost, \$2,467,015) | | \$ 1,998,185 |
| Common Stocks - 1.3% | | |
| Automotive - 0.1% | | |
| Accuride Corp. (a) | 35,636 | \$ 48,109 |
| Broadcasting - 0.1% | | |
| Dex One Corp. (a) | 2,252 | \$ 46,121 |
| Supermedia, Inc. (a) | 250 | 7,533 |
| | | \$ 53,654 |
| Cable TV - 0.1% | | |
| Cablevision Systems Corp., A | 4,000 | \$ 99,240 |
| Chemicals - 0.5% | | |
| LyondellBasell Industries N.V., A (a) | 6,936 | \$ 123,253 |
| LyondellBasell Industries N.V., B (a) | 8,710 | 154,167 |
| | | \$ 277,420 |
| Construction - 0.3% | | |
| Nortek, Inc. (a) | 4,005 | \$ 184,230 |
| Gaming & Lodging - 0.1% | | |
| Ameristar Casinos, Inc. | 2,100 | \$ 37,842 |
| Printing & Publishing - 0.1% | | |
| American Media, Inc. (a) | 4,713 | \$ 28,841 |
| World Color Press, Inc. (a) | 1,658 | 19,067 |
| | | \$ 47,908 |
| Special Products & Services - 0.0% | | |
| Mark IV Industries LLC, Common Units, A (a) | 207 | \$ 8,591 |

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Portfolio of Investments (unaudited) continued

| Issuer | Shares/Par | Value (\$) |
|---|---------------------|-----------------------|
| Common Stocks - continued | | |
| Trucking - 0.0% | | |
| Quality Distribution, Inc. (a) | 2,687 | \$ 15,235 |
| Total Common Stocks (Identified Cost, \$1,235,858) | | \$ 772,229 |
| Preferred Stocks - 0.2% | | |
| Other Banks & Diversified Financials - 0.2% | | |
| Ally Financial, Inc., 7% (Identified Cost, \$85,470) (z) | 111 | \$ 83,493 |
| Convertible Bonds - 0.2% | | |
| Automotive - 0.2% | | |
| Accuride Corp., 7.5%, 2020 (Identified Cost, \$50,909) | \$ 50,909 | \$ 132,660 |
| | Strike Price | First Exercise |
| Warrants - 0.0% | | |
| Printing & Publishing - 0.0% | | |
| World Color Press, Inc. (1 share for 1 warrant) (a) | \$ 13.00 | 8/26/09 |
| World Color Press, Inc. (1 share for 1 warrant) (a) | \$ 16.30 | 8/26/09 |
| | | 940 |
| | | 940 |
| | | \$ 4,700 |
| | | 1,410 |
| | | \$ 6,110 |
| Telephone Services - 0.0% | | |
| Jazztel PLC (6 shares for 1 warrant) (a)(z) | EUR 204.6 | 7/05/00 |
| | | 350 |
| Total Warrants (Identified Cost, \$28,935) | | \$ 6,110 |
| Money Market Funds (v) - 4.2% | | |
| MFS Institutional Money Market Portfolio, 0.24%, | | |
| at Cost and Net Asset Value | 2,464,596 | \$ 2,464,596 |
| Total Investments (Identified Cost, \$83,154,743) | | \$ 78,116,044 |
| Other Assets, Less Liabilities - (33.6)% | | |
| Net Assets - 100.0% | | \$ 58,484,838 |

(a) Non-income producing security.

(d) Non-income producing security - in default.

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

(n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in the ordinary course of business in transactions exempt from registration, normally to qualified institutional buyers. At period end, the aggregate value of these securities was \$18,038,273, representing 30.8% of net assets.

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Portfolio of Investments (unaudited) continued

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

(p) Payment-in-kind security.

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

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

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

| Restricted Securities | Acquisition Date | Cost | Current Market Value |
|--|------------------|----------|----------------------|
| Ally Financial, Inc., 7% (Preferred Stock) | 12/26/08 | \$85,470 | \$83,493 |
| American Media Operations, Inc., 9%, 2013 | 1/29/09-4/15/10 | 19,415 | 17,308 |
| American Media Operations, Inc., 14%, 2013 | 1/29/09-10/15/09 | 168,801 | 156,461 |
| American Petroleum Tankers LLC, 10.25%, 2015 | 5/06/10 | 92,360 | 94,050 |
| ATP Oil & Gas Corp., 11.875%, 2015 | 5/10/10 | 51,725 | 43,175 |
| Banc of America Commercial Mortgage, Inc., FRN, 6.227%, 2051 | 6/19/08 | 327,306 | 124,296 |
| Bonten Media Acquisition Co., 9.75%, 2015 | 6/26/09-11/15/09 | 46,032 | 72,071 |
| Credit Acceptance Corp., 9.125%, 2017 | 1/25/10 | 131,734 | 136,350 |
| Freescale Semiconductor, Inc., 9.25%, 2018 | 4/07/10 | 160,000 | 158,800 |
| GWR Operating Partnership LLP, 10.875%, 2017 | 3/30/10-3/31/10 | 211,115 | 215,875 |
| Gray Television, Inc., 10.5%, 2015 | 4/21/10 | 88,300 | 85,050 |
| Hillman Cos., Inc., 10.875%, 2018 | 5/18/10 | 140,000 | 138,950 |
| Jazztel PLC (Warrants) | 11/29/00 | 602 | 0 |
| LBI Media, Inc., 8.5%, 2017 | 7/18/07 | 148,030 | 127,500 |
| Live Nation Entertainment, Inc., 8.125%, 2018 | 4/22/10 | 75,000 | 74,250 |
| Local TV Finance LLC, 9.25%, 2015 | 5/02/07-11/30/09 | 271,994 | 205,224 |
| MGM Mirage, 9%, 2020 | 3/09/10-5/20/10 | 167,370 | 165,413 |
| ManTech International Corp., 7.25%, 2018 | 4/08/10-4/16/10 | 121,632 | 120,300 |
| Nationstar Mortgage LLC, 10.875%, 2015 | 3/23/10 | 131,332 | 115,425 |
| Orascom Telecom Finance S.C.A., 7.875%, 2014 | 2/01/07 | 225,000 | 202,500 |
| USI Holdings Corp., 9.75%, 2015 | 4/26/07-9/13/07 | 555,318 | 523,250 |
| Total Restricted Securities | | | \$2,859,741 |
| % of Net Assets | | | 4.9% |

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

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

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

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

EUR Euro

Derivative Contracts at 5/31/10**Forward Foreign Currency Exchange Contracts at 5/31/10**

| Type | Currency | Counterparty | Contracts to Deliver/Receive | Settlement Date Range | In Exchange For | Contracts at Value | Net Unrealized Appreciation (Depreciation) |
|------------------------------|----------|--------------|------------------------------|-----------------------|-----------------|--------------------|--|
| Asset Derivatives | | | | | | | |
| SELL | EUR | UBS AG | 849,132 | 6/14/10 | \$ 1,160,275 | \$ 1,043,967 | \$ 116,308 |
| Liability Derivatives | | | | | | | |
| BUY | EUR | UBS AG | 34,829 | 6/14/10 | \$ 43,149 | \$ 42,821 | \$ (328) |

At May 31, 2010, the fund had sufficient cash and/or securities to cover any commitments under these derivative contracts.

See Notes to Financial Statements

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

At 5/31/10 (unaudited)

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

| | | |
|---|--------------|--------------|
| Assets | | |
| Investments- | | |
| Non-affiliated issuers, at value (identified cost, \$80,690,147) | \$75,651,448 | |
| Underlying funds, at cost and value | 2,464,596 | |
| Total investments, at value (identified cost, \$83,154,743) | | \$78,116,044 |
| Cash | 37,894 | |
| Foreign currency, at value (identified cost, \$1,251) | 1,118 | |
| Receivables for | | |
| Forward foreign currency exchange contracts | 116,308 | |
| Investments sold | 1,080,453 | |
| Interest and dividends | 1,818,297 | |
| Receivable from investment adviser | 24,360 | |
| Other assets | 18,929 | |
| Total assets | | \$81,213,403 |
| Liabilities | | |
| Notes payable | \$22,000,000 | |
| Payables for | | |
| Distributions | 33,554 | |
| Forward foreign currency exchange contracts | 328 | |
| Investments purchased | 513,061 | |
| Payable to affiliates | | |
| Investment adviser | 26,865 | |
| Transfer agent and dividend disbursing costs | 1,150 | |
| Administrative services fee | 255 | |
| Payable for independent Trustees' compensation | 4,305 | |
| Accrued interest expense | 88,857 | |
| Accrued expenses and other liabilities | 60,190 | |
| Total liabilities | | \$22,728,565 |
| Net assets | | \$58,484,838 |
| Net assets consist of | | |
| Paid-in capital | \$84,967,361 | |
| Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies | (4,923,797) | |
| Accumulated net realized gain (loss) on investments and foreign currency transactions | (21,616,693) | |
| Undistributed net investment income | 57,967 | |
| Net assets | | \$58,484,838 |
| Shares of beneficial interest outstanding | | 20,854,808 |
| Net asset value per share (net assets of \$58,484,838 / 20,854,808 shares of beneficial interest outstanding) | | \$2.80 |
| See Notes to Financial Statements | | |

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

Six months ended 5/31/10 (unaudited)

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

| | | |
|---|-------------|-------------|
| Net investment income | | |
| Income | | |
| Interest | \$3,652,998 | |
| Dividends | 16,195 | |
| Dividends from underlying funds | 1,400 | |
| Total investment income | | \$3,670,593 |
| Expenses | | |
| Management fee | \$318,323 | |
| Transfer agent and dividend disbursing costs | 7,445 | |
| Administrative services fee | 9,369 | |
| Independent Trustees' compensation | 6,981 | |
| Stock exchange fee | 11,760 | |
| Custodian fee | 7,213 | |
| Interest expense | 254,882 | |
| Shareholder communications | 15,642 | |
| Auditing fees | 34,213 | |
| Legal fees | 12,708 | |
| Miscellaneous | 16,802 | |
| Total expenses | | \$695,338 |
| Fees paid indirectly | (43) | |
| Reduction of expenses by investment adviser | (135,084) | |
| Net expenses | | \$560,211 |
| Net investment income | | \$3,110,382 |
| Realized and unrealized gain (loss) on investments and foreign currency transactions | | |
| Realized gain (loss) (identified cost basis) | | |
| Investment transactions | \$119,492 | |
| Foreign currency transactions | 118,339 | |
| Net realized gain (loss) on investments and foreign currency transactions | | \$237,831 |
| Change in unrealized appreciation (depreciation) | | |
| Investments | \$1,045,076 | |
| Translation of assets and liabilities in foreign currencies | 154,552 | |
| Net unrealized gain (loss) on investments and foreign currency translation | | \$1,199,628 |
| Net realized and unrealized gain (loss) on investments and foreign currency | | \$1,437,459 |
| Change in net assets from operations | | \$4,547,841 |

See Notes to Financial Statements

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

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

| | Six months ended 5/31/10 (unaudited) | Year ended 11/30/09 |
|---|---|--------------------------------|
| Change in net assets | | |
| From operations | | |
| Net investment income | \$3,110,382 | \$5,758,528 |
| Net realized gain (loss) on investments and foreign currency transactions | 237,831 | (5,858,494) |
| Net unrealized gain (loss) on investments and foreign currency translation | 1,199,628 | 26,954,370 |
| Change in net assets from operations | \$4,547,841 | \$26,854,404 |
| Distributions declared to shareholders | | |
| From net investment income | \$(2,794,054) | \$(6,086,022) |
| Change in net assets from fund share transactions | \$47,148 | \$(10,536) |
| Total change in net assets | \$1,800,935 | \$20,757,846 |
| Net assets | | |
| At beginning of period | 56,683,903 | 35,926,057 |
| At end of period (including undistributed net investment income of \$57,967 and accumulated distributions in excess of net investment income of \$258,361, respectively) | \$58,484,838 | \$56,683,903 |
| See Notes to Financial Statements | | |

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

Six months ended 5/31/10 (unaudited)

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

| | |
|--|---------------|
| Cash flows from operating activities: | |
| Net increase in net assets from operations | \$4,547,841 |
| Adjustments to reconcile change in net assets from operations to net cash provided by operating activities: | |
| Purchase of investment securities | (30,972,894) |
| Proceeds from disposition of investment securities | 32,059,668 |
| Purchases of short-term investments, net | (1,134,543) |
| Realized gain/loss on investments | (119,492) |
| Unrealized appreciation/depreciation on investments | (1,045,076) |
| Unrealized appreciation/depreciation on foreign currency contracts | (158,496) |
| Net amortization/accretion of income | (339,125) |
| Decrease in payable for investments purchased | (645,445) |
| Increase in dividends and interest receivable | (106,992) |
| Increase in receivable for investments sold | (394,877) |
| Decrease in accrued expenses and other liabilities | (38,344) |
| Increase in receivable from investment adviser | (24,360) |
| Increase in other assets | (3,934) |
| Net cash provided by operating activities | \$1,623,931 |
| Cash flows from financing activities: | |
| Distributions paid in cash | (2,791,538) |
| Increase in notes payable | 1,000,000 |
| Increase in interest payable | 3,034 |
| Distributions reinvested in shares of beneficial interest | 47,148 |
| Net cash used by financing activities | \$(1,741,356) |
| Net decrease in cash | \$(117,425) |
| Cash: | |
| Beginning of period (including foreign currency of \$153,300) | \$156,437 |
| End of period (including foreign currency of \$1,118) | \$39,012 |
| Supplementary disclosure of cash flow information: cash paid during the year for interest \$251,848. | |

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 semiannual period and the past 5 fiscal 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.

| | Six months ended 5/31/10 (unaudited) | 2009 | 2008 | Years ended 11/30 2007 | 2006 | 2005 |
|---|---|-----------|-----------|---------------------------|----------|----------|
| Net asset value, beginning of period | \$2.72 | \$1.72 | \$3.47 | \$3.64 | \$3.60 | \$3.87 |
| Income (loss) from investment operations | | | | | | |
| Net investment income (d) | \$0.15 | \$0.28 | \$0.33 | \$0.29 | \$0.29 | \$0.33 |
| Net realized and unrealized gain (loss) on investments and foreign currency | 0.06 | 1.01 | (1.76) | (0.18) | 0.09 | (0.28) |
| Total from investment operations | \$0.21 | \$1.29 | \$(1.43) | \$0.11 | \$0.38 | \$0.05 |
| Less distributions declared to shareholders | | | | | | |
| From net investment income | \$(0.13) | \$(0.29) | \$(0.32) | \$(0.28) | \$(0.34) | \$(0.32) |
| Net increase from repurchase of capital shares | \$ | \$0.00(w) | \$0.00(w) | \$ | \$ | \$ |
| Net asset value, end of period | \$2.80 | \$2.72 | \$1.72 | \$3.47 | \$3.64 | \$3.60 |
| Per share market value, end of period | \$2.59 | \$2.42 | \$1.35 | \$2.97 | \$3.46 | \$3.15 |
| Total return at market value (%) | 12.35(n) | 107.88 | (48.49) | (6.95) | 21.22 | (1.63) |
| Total return at net asset value (%) (j)(r)(s)(t) | 8.07(n) | 83.39 | (43.83) | 3.34 | 11.60 | 1.96 |
| Ratios (%) (to average net assets) and Supplemental data: | | | | | | |
| Expenses before expense reductions (f) | 2.36(a) | 2.85 | 3.55 | 3.35 | 3.33 | 2.81 |
| Expenses after expense reductions (f) | 1.90(a) | 2.16 | 2.81 | 3.24 | 3.12 | 2.79 |
| Expenses after expense reductions and excluding interest expense (f) | 1.04(a) | 1.08 | 1.01 | 1.04 | 1.04 | 1.37 |
| Net investment income | 10.54(a) | 12.69 | 10.80 | 7.97 | 8.24 | 8.79 |
| Portfolio turnover | 32 | 45 | 62 | 90 | 54 | 66 |
| Net assets at end of period (000 omitted) | \$58,485 | \$56,684 | \$35,926 | \$72,833 | \$76,433 | \$75,662 |

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Financial Highlights continued

- (a) Annualized.
- (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.
- (n) Not annualized.
- (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.
- (t) Prior to November 30, 2007, total return at net asset value is unaudited.
- (w) Per share amount was less than \$0.01.

See Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS

(unaudited)

(1) Business and Organization

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

(2) Significant Accounting Policies

General The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued. The fund may invest up to 100% of its portfolio in high-yield securities rated below investment grade. Investments in high-yield securities involve greater degrees of credit and market risk than investments in higher-rated securities and tend to be more sensitive to economic conditions. The fund can invest in foreign securities, including securities of emerging market issuers. Investments in foreign securities are vulnerable to the effects of changes in the relative values of the local currency and the U.S. dollar and to the effects of changes in each country's legal, political, and economic environment. The markets of emerging markets countries are generally more volatile than the markets of developed countries with more mature economies. All of the risks of investing in foreign securities previously described are heightened when investing in emerging markets countries.

Investment Valuations Debt instruments and floating rate loans (other than short-term instruments), including restricted debt instruments, are generally valued at an evaluated or composite bid as provided by a third-party pricing service. Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price as provided by a third-party pricing service on the market or exchange on which they are primarily traded. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Equity securities held short, for which there were no sales reported for that day, are generally valued at the last quoted daily ask quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Short-term

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Notes to Financial Statements (unaudited) continued

instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Forward foreign currency contracts are generally valued at the mean of bid and asked prices for the time period interpolated from rates provided by a third-party pricing service for proximate time periods. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. Events that occur on a frequent basis after foreign markets close (such as developments in foreign markets and significant movements in the U.S. markets) and prior to the determination of the fund's net asset value may be deemed to have a material effect on the value of securities traded in foreign markets. Accordingly, the fund's foreign equity securities may often be valued at fair value. 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

Table of Contents*Notes to Financial Statements (unaudited) continued*

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

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments not reflected in total investments, such as futures, forwards, swap contracts, and written options. The following is a summary of the levels used as of May 31, 2010 in valuing the fund's assets or liabilities:

| Investments at Value | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------|----------------|----------------|----------------|--------------|
| Equity Securities | \$556,677 | \$276,314 | \$28,841 | \$861,832 |
| Municipal Bonds | | 301,912 | | 301,912 |
| Corporate Bonds | | 64,231,334 | | 64,231,334 |
| Commercial Mortgage-Backed Securities | | 993,337 | | 993,337 |
| Foreign Bonds | | 7,264,848 | | 7,264,848 |
| Floating Rate Loans | | 1,998,185 | | 1,998,185 |
| Mutual Funds | 2,464,596 | | | 2,464,596 |
| Total Investments | \$3,021,273 | \$75,065,930 | \$28,841 | \$78,116,044 |

Other Financial Instruments

| | | | | |
|----------------------------|----|-----------|----|-----------|
| Forward Currency Contracts | \$ | \$115,980 | \$ | \$115,980 |
|----------------------------|----|-----------|----|-----------|

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

Table of Contents*Notes to Financial Statements (unaudited) continued*

The following is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value. The table presents the activity of Level 3 securities held at the beginning and the end of the period.

| | Equity Securities |
|--|--------------------------|
| Balance as of 11/30/09 | \$6,315 |
| Accrued discounts/premiums | |
| Realized gain (loss) | |
| Change in unrealized appreciation (depreciation) | 22,526 |
| Net purchases (sales) | |
| Transfers in and/or out of Level 3 | |
| Balance as of 5/31/10 | \$28,841 |

The net change in unrealized (depreciation) from investments still held as Level 3 at May 31, 2010 is \$22,526.

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

Derivatives The fund may use derivatives for different purposes, including to earn income and enhance returns, to increase or decrease exposure to a particular market, to manage or adjust the risk profile of the fund, or as alternatives to direct investments. Derivatives may be 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.

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

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Notes to Financial Statements (unaudited) 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 May 31, 2010:

| Risk | Derivative | Fair Value | |
|----------------------------|---|-------------------|-----------------------|
| | | Asset Derivatives | Liability Derivatives |
| Foreign Exchange Contracts | Forward Foreign Currency Exchange Contracts | \$116,308 | \$(328) |

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the six months ended May 31, 2010 as reported in the Statement of Operations:

| | Foreign Currency Transactions |
|----------------------------|-------------------------------|
| Foreign Exchange Contracts | \$125,219 |

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the six months ended May 31, 2010 as reported in the Statement of Operations:

| | Translation of Assets and Liabilities in Foreign Currencies |
|----------------------------|---|
| Foreign Exchange Contracts | \$158,496 |

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain over-the-counter derivatives, the fund attempts to reduce its exposure to counterparty credit risk whenever possible by entering into an International Swaps and Derivatives Association (ISDA) Master Agreement on a bilateral basis with each of the counterparties with whom it undertakes a significant volume of transactions. The ISDA Master Agreement gives each party to the agreement the right to terminate all transactions traded under such agreement if there is a certain deterioration in the credit quality of the other party. The ISDA Master Agreement gives the fund the right, upon an event of default by the applicable counterparty or a termination of the agreement, to close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the ISDA Master Agreement could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any. However, absent an event of default by the counterparty or a termination of the agreement, the ISDA Master Agreement does not result in

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Notes to Financial Statements (unaudited) continued

an offset of reported balance sheet assets and liabilities across transactions between the fund and the applicable counterparty.

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

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

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

Risks may arise upon entering into these contracts from unanticipated movements in the value of the contract and from the potential inability of counterparties to meet the terms of their contracts. The fund's maximum risk due to counterparty credit risk is the notional amount of the contract. This risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and for posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

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Notes to Financial Statements (unaudited) continued

Loans and Other Direct Debt Instruments The fund may invest in loans and loan participations or other receivables. These investments may include standby financing commitments, including revolving credit facilities, which obligate the fund to supply additional cash to the borrower on demand. Loan participations involve a risk of insolvency of the lending bank or other financial intermediary.

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

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

Investment Transactions and Income Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and discount is amortized or accreted for financial statement purposes in accordance with U.S. generally accepted accounting principles. The fund earns certain fees in connection with its floating rate loan purchasing activities. These fees are in addition to interest payments earned and may include amendment fees, commitment fees, facility fees, consent fees, and prepayment fees. Commitment fees are recorded on an accrual basis as income in the accompanying financial statements. Dividends received in cash are recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded when the fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date. Debt obligations may be placed on non-accrual status or set to accrue at a rate of interest less than the contractual coupon when the collection of all or a portion of interest has become doubtful. Interest income for those debt obligations may be further reduced by the write-off of the related interest receivables when deemed uncollectible.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed

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Notes to Financial Statements (unaudited) continued

of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

Fees Paid Indirectly The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. This amount, for the six months ended May 31, 2010, is shown as a reduction of total expenses on the Statement of Operations.

Tax Matters and Distributions The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. As a result, no provision for federal income tax is required. The fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service. Foreign taxes, if any, have been accrued by the fund in the accompanying financial statements.

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

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

The tax character of distributions made during the current period will be determined at fiscal year end. The tax character of distributions declared to shareholders for the last fiscal year is as follows:

| | |
|--|--------------------------------|
| Ordinary income (including any short-term capital gains) | 11/30/09 \$6,086,022 |
|--|--------------------------------|

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

| | |
|--|---------------|
| As of 5/31/10 | |
| Cost of investments | \$82,842,624 |
| Gross appreciation | 2,844,530 |
| Gross depreciation | (7,571,110) |
| Net unrealized appreciation (depreciation) | \$(4,726,580) |
| As of 11/30/09 | |
| Capital loss carryforwards | (22,242,669) |
| Post-October capital loss deferral | (98,816) |
| Post-October currency loss deferral | (8,389) |
| Other temporary differences | (289,622) |
| Net unrealized appreciation (depreciation) | (5,596,814) |

The aggregate cost above includes prior fiscal year end tax adjustments, if applicable.

As of November 30, 2009, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

| | |
|----------|----------------|
| 11/30/10 | \$(6,431,055) |
| 11/30/13 | (796,437) |
| 11/30/14 | (2,075,017) |
| 11/30/16 | (5,956,332) |
| 11/30/17 | (6,983,828) |
| | \$(22,242,669) |

(3) Transactions with Affiliates

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

The management fee incurred for the six months ended May 31, 2010 was equivalent to an annual effective rate of 1.08% of the fund's average daily net assets.

The investment adviser has agreed in writing to pay a portion of the fund's total annual operating expenses, exclusive of interest, taxes, extraordinary expenses, brokerage and transaction costs and investment-related expenses, such that the total annual fund operating expenses do not exceed 1.00%

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Notes to Financial Statements (unaudited) continued

annually of the fund's average daily net assets. This written agreement will continue until modified by the fund's Board of Trustees, but such agreement will continue at least until November 30, 2010. For the six months ended May 31, 2010, this reduction amounted to \$134,923 and is reflected as a reduction of total expenses in the Statement of Operations.

Transfer Agent The fund engages Computershare Trust Company, N.A. (Computershare) as the sole transfer agent for the fund. MFS Service Center, Inc. (MFSC) monitors and supervises the activities of Computershare for an agreed upon fee approved by the Board of Trustees. For the six months ended May 31, 2010, these fees paid to MFSC amounted to \$2,943.

Administrator MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of \$17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the six months ended May 31, 2010 was equivalent to an annual effective rate of 0.0317% of the fund's average daily net assets.

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

Deferred Trustee Compensation Prior to MFS' appointment as investment adviser to the fund, the fund's former independent Trustees participated in a Deferred Compensation Plan (the Former Colonial Trustees Plan or Plan). The fund's current independent Trustees are not allowed to defer compensation under the Former Colonial Trustees Plan. Amounts deferred under the Plan are invested in shares of certain non-MFS funds selected by the former independent Trustees as notional investments. Deferred amounts represent an unsecured obligation of the fund until distributed in accordance with the Plan. Included in other assets and payable for independent Trustees' compensation on the Statement of Assets and Liabilities is \$4,292 of deferred Trustees' compensation. There is no current year expense associated with the Former Colonial Trustees Plan.

Other This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for

Table of Contents*Notes to Financial Statements (unaudited) continued*

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 six months ended May 31, 2010, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were \$345 and are included in miscellaneous expense on 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 \$161, 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 may invest in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks a high level of current income consistent with preservation of capital and liquidity. Income earned on this investment is included in dividends from underlying funds on 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 U.S. Government securities, purchased option transactions, and short-term obligations, aggregated \$25,151,012 and \$25,906,807, respectively.

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. The Trustees have authorized the repurchase by the fund of up to 10% annually of its own shares of beneficial interest. During the six months ended May 31, 2010, the fund did not repurchase any shares. The fund repurchased and retired 80,800 shares of beneficial interest during the year ended November 30, 2009 at an average price per share of \$1.33 and a weighted average discount of 18.00% per share. Transactions in fund shares were as follows:

| | Six months ended 5/31/10 | | Year ended 11/30/09 | |
|---|-----------------------------|----------|------------------------|------------|
| | Shares | Amount | Shares | Amount |
| Shares issued to shareholders in reinvestment of distributions | 16,899 | \$47,148 | 50,514 | \$96,825 |
| Shares reacquired | | | (80,800) | (107,361) |
| Net change | 16,899 | \$47,148 | (30,286) | \$(10,536) |

(6) Loan Agreement

The fund has a credit agreement with a bank for a revolving secured line of credit that can be drawn upon up to \$20,000,000. At May 31, 2010, the fund

Table of Contents*Notes to Financial Statements (unaudited) continued*

had outstanding borrowings under this agreement in the amount of \$12,000,000, which are secured by a lien on the fund's assets. The loan's carrying value on the fund's Statement of Assets and Liabilities approximates its fair value. The credit agreement matures on January 14, 2011. Interest is charged at a rate per annum equal to LIBOR plus an agreed upon spread or an alternate rate, at the option of the borrower, stated as the greater of Overnight LIBOR or the Federal Funds Rate each plus an agreed upon spread. The fund also has a Term Loan B outstanding with a bank in the amount of \$10,000,000 which is secured by a lien on the fund's assets. The loan's carrying value on the fund's Statement of Assets and Liabilities approximates its fair value. This term loan bears interest at 3.68% per annum and matures on January 18, 2011. Borrowings under both of these agreements can be made for liquidity or leverage purposes. The fund incurred interest expense in the amount of \$254,882 during the period in connection with these loan agreements. The fund also incurred a commitment fee of \$10,573 based on the average daily unused portion of the revolving line of credit which is reported in miscellaneous expense on the Statement of Operations. For the six months ended May 31, 2010, the average loan balance was \$21,225,275 at a weighted average annual interest rate of 2.41%. The fund is subject to certain covenants including, but not limited to, requirements with respect to asset coverage, portfolio diversification and liquidity.

(7) Transactions in Underlying 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 affiliated issuers:

| Underlying Funds | Beginning Shares/Par Amount | Acquisitions Shares/Par Amount | Dispositions Shares/Par Amount | Ending Shares/Par Amount |
|---|--|---|---|---|
| MFS Institutional Money Market Portfolio | 1,330,053 | 13,505,952 | (12,371,409) | 2,464,596 |
| Underlying Funds | Realized Gain (Loss) | Capital Gain Distributions | Dividend Income | Ending Value |
| MFS Institutional Money Market Portfolio | \$ | \$ | \$1,400 | \$2,464,596 |

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying statement of assets and liabilities of the MFS Intermediate High Income Fund (the Fund), including the portfolio of investments, as of May 31, 2010, and the related statements of operations, cash flows, changes in net assets, and financial highlights for the six-month period ended May 31, 2010. These interim financial statements and financial highlights are the responsibility of the Fund's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements and financial highlights for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of changes in net assets for the year ended November 30, 2009, and its financial highlights for each of the three years in the period then ended, and in our report dated January 15, 2010, we expressed an unqualified opinion on such statement of changes in net assets and financial highlights. The financial highlights for each of the two years in the period ended November 30, 2006 were audited by another independent registered public accounting firm whose report, dated January 25, 2007, expressed an unqualified opinion on those financial statements.

Boston, Massachusetts

July 19, 2010

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BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

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 and Performance" section of the MFS Web site (*mfs.com*).

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 twelve-month period ended June 30, 2009 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. The fund's Form N-Q 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. The fund's Form N-Q is available on the EDGAR database on the Commission's Internet Web site at <http://www.sec.gov>, and copies of this information may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov or by writing the Public Reference Section at the above address.

A shareholder can also obtain the quarterly portfolio holdings report at *mfs.com*.

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 and Performance" section of *mfs.com*.

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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

500 Boylston Street, Boston, MA 02116

New York Stock Exchange Symbol: CIF

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ITEM 2. CODE OF ETHICS.

The Registrant has not amended any provision in its Code of Ethics (the Code) that relates to any element of the Code s definition enumerated in paragraph (b) of Item 2 of this Form N-CSR.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable for semi-annual reports.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable for semi-annual reports.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable for semi-annual reports.

ITEM 6. SCHEDULE OF INVESTMENTS

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

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

Not applicable for semi-annual reports.

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

There were no changes during this period.

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

| Period | (a) Total number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs |
|-------------------|---|---|---|---|
| 12/01/09-12/31/09 | 0 | N/A | 0 | 2,083,791 |
| 1/01/10-1/31/10 | 0 | N/A | 0 | 2,083,791 |
| 2/01/10-2/28/10 | 0 | N/A | 0 | 2,083,791 |
| 3/01/10-3/31/10 | 0 | N/A | 0 | 2,085,481 |
| 4/01/10-4/30/10 | 0 | N/A | 0 | 2,085,481 |
| 5/01/10-5/31/10 | 0 | N/A | 0 | 2,085,481 |
| Total | 0 | | 0 | |

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 1st of each year. The programs conform to the conditions of Rule 10b-18 of the securities Exchange Act of 1934 and limit the aggregate number of shares that may be purchased in each annual period (March 1 through the following February 28) to 10% of the Registrant's outstanding shares as of the first day of the plan year (March 1). The aggregate number of shares available for purchase for the March 1, 2010 plan year is 2,085,481.

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.
 - (2) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2 under the Act (17 CFR 270.30a-2): Attached hereto.
- (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 INTERMEDIATE HIGH INCOME FUND

By (Signature and Title)* MARIA F. DWYER
Maria F. Dwyer, President

Date: July 19, 2010

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)* MARIA F. DWYER
Maria F. Dwyer, President

(Principal Executive Officer)

Date: July 19, 2010

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

(Principal Financial Officer and
Accounting Officer)

Date: July 19, 2010

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