

MFS INTERMEDIATE HIGH INCOME FUND

Form N-CSRS

August 02, 2012

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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, 2012

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**ITEM 1. REPORTS TO STOCKHOLDERS.**

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MFS® Intermediate  
High Income Fund

SEMIANNUAL REPORT

*May 31, 2012*

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 CHAIRMAN AND CEO

Dear Shareholders:

World financial markets remain a venue of uncertainty. The focus has shifted most recently to the eurozone, where policymakers are attempting to develop a plan that will help debt-laden countries and prevent their woes from spreading across the region. Volatility is likely to continue as investors test the resolve of European officials to make the tough decisions needed to solve the crisis.

The U.S. economy is experiencing a period of growth. However, markets have been jittery in reaction to events in Europe and ahead of the U.S. presidential election. Voters in the United States are watching the economy closely and waiting to see if Congress agrees to cut the budget and extend the Bush administration tax cuts. Failure to do so could ultimately send the U.S. economy back into recession.

Amid this global uncertainty, managing risk becomes a top priority for investors and their advisors. At MFS® our global research platform is designed to ensure the smooth functioning

of our investment process in all business climates. Through this integrated approach, our investment staff shares ideas and evaluates opportunities across geographies, across both fundamental and quantitative disciplines, and across companies' entire capital structure. We employ this uniquely collaborative approach to build better insights for our clients.

Additionally, we have a team of quantitative analysts that measures and assesses the risk profiles of our portfolios and securities on an ongoing basis. The chief investment risk officer, who oversees the team, reports directly to the firm's president and chief investment officer so that the risk associated with each portfolio can be assessed objectively and independently of the portfolio management team.

We, like our investors, are mindful of the many economic challenges faced at the local, national, and international levels. It is in times such as these that we want to emphasize the merits of maintaining a long-term view, adhering to basic investing principles such as asset allocation and diversification, and working closely with investment advisors to research and identify appropriate investment opportunities.

Respectfully,

**Robert J. Manning**

*Chairman and Chief Executive Officer*

*MFS Investment Management®*

*July 17, 2012*

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

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

|  |       |
|--|-------|
| Energy Independent                     | 10.6% |
| Broadcasting                           | 7.3%  |
| Medical & Health Technology & Services | 7.0%  |
| Utilities Electric Power               | 6.5%  |
| Automotive                             | 5.9%  |

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

|                  |         |
|------------------|---------|
| A                | 0.3%    |
| BBB              | 9.6%    |
| BB               | 41.2%   |
| B                | 56.8%   |
| CCC              | 20.1%   |
| CC               | 0.4%    |
| C                | 0.5%    |
| Not Rated        | 0.3%    |
| Non-Fixed Income | 1.7%    |
| Cash & Other     | (30.9)% |

**Portfolio facts (i)**

|                                |          |
|--------------------------------|----------|
| Average Duration (d)           | 5.6      |
| Average Effective Maturity (m) | 7.0 yrs. |

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

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

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*Portfolio Composition continued*

- (i) For purposes of this presentation, the components include the market value of securities, and reflect the impact of the equivalent exposure of derivative positions, if any. These amounts may be negative from time to time. The bond component will include any accrued interest amounts. Equivalent exposure is a calculated amount that translates the derivative position into a reasonable approximation of the amount of the underlying asset that the portfolio would have to hold at a given point in time to have the same price sensitivity that results from the portfolio's ownership of the derivative contract. When dealing with derivatives, equivalent exposure is a more representative measure of the potential impact of a position on portfolio performance than market value. Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.
- (m) In determining an instrument's effective maturity for purposes of calculating the fund's dollar-weighted average effective maturity, MFS uses the instrument's stated maturity or, if applicable, an earlier date on which MFS believes it is probable that a maturity-shortening device (such as a put, pre-refunding or prepayment) will cause the instrument to be repaid. Such an earlier date can be substantially shorter than the instrument's stated maturity. 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 5/31/12.

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

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## PORTFOLIO MANAGERS PROFILES

William Adams Investment Officer of MFS; employed in the investment management area of MFS since 2009.

David Cole Portfolio Manager of the fund since May 2011.  
Investment Officer of MFS; employed in the investment management area of MFS since 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. Returns of shareholder capital have the effect of reducing the fund's assets and increasing the fund's expense ratio.

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



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

5/31/12 (unaudited)

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

| <b>Bonds - 126.4%</b>   |                   |                   |
|---|-------------------|-------------------|
| <b>Issuer</b>   | <b>Shares/Par</b> | <b>Value (\$)</b> |
| <b>Aerospace - 2.6%</b>   |                   |                   |
| BE Aerospace, Inc., 8.5%, 2018  | \$ 315,000        | \$ 343,350        |
| Bombardier, Inc., 7.5%, 2018 (n)  | 405,000           | 441,450           |
| Bombardier, Inc., 7.75%, 2020 (n)   | 95,000            | 104,261           |
| CPI International, Inc., 8%, 2018   | 250,000           | 223,750           |
| Heckler & Koch GmbH, 9.5%, 2018 (z)                                       | EUR 115,000       | 98,116            |
| Huntington Ingalls Industries, Inc., 7.125%, 2021                         | \$ 195,000        | 202,313           |
| Kratos Defense & Security Solutions, Inc., 10%, 2017                      | 160,000           | 169,600           |
|   |                   | \$ 1,582,840      |
| <b>Apparel Manufacturers - 1.5%</b>                                       |                   |                   |
| Hanesbrands, Inc., 8%, 2016   | \$ 165,000        | \$ 180,881        |
| Hanesbrands, Inc., 6.375%, 2020   | 100,000           | 102,125           |
| Hanesbrands, Inc., FRN, 4.145%, 2014                                      | 131,000           | 131,001           |
| Jones Group, Inc., 6.875%, 2019   | 115,000           | 110,544           |
| Levi Strauss & Co., 6.875%, 2022 (n)                                      | 40,000            | 39,700            |
| Phillips-Van Heusen Corp., 7.375%, 2020                                   | 335,000           | 365,988           |
|   |                   | \$ 930,239        |
| <b>Asset-Backed &amp; Securitized - 0.5%</b>                              |                   |                   |
| Banc of America Commercial Mortgage, Inc., FRN, 6.248%, 2051 (z)          | \$ 450,000        | \$ 77,864         |
| Citigroup Commercial Mortgage Trust, FRN, 5.699%, 2049                    | 275,000           | 68,521            |
| G-Force LLC, CDO, A2, 4.83%, 2036 (z)                                     | 107,324           | 102,494           |
| JPMorgan Chase Commercial Mortgage Securities Corp., C, FRN, 6.052%, 2051 | 155,000           | 43,497            |
|   |                   | \$ 292,376        |
| <b>Automotive - 5.6%</b>  |                   |                   |
| Accuride Corp., 9.5%, 2018  | \$ 445,000        | \$ 465,025        |
| Allison Transmission, Inc., 7.125%, 2019 (n)                              | 245,000           | 256,025           |
| Chrysler Group LLC/CG Co-Issuer, Inc., 8.25%, 2021                        | 200,000           | 200,500           |
| Ford Motor Co., 7.45%, 2031   | 165,000           | 214,913           |
| Ford Motor Credit Co. LLC, 8%, 2014                                       | 125,000           | 139,103           |
| Ford Motor Credit Co. LLC, 12%, 2015                                      | 960,000           | 1,212,000         |
| General Motors Financial Co., Inc., 6.75%, 2018                           | 215,000           | 230,818           |
| Goodyear Tire & Rubber Co., 7%, 2022                                      | 85,000            | 83,300            |
| IDQ Holdings, Inc., 11.5%, 2017 (z)                                       | 90,000            | 94,050            |
| Jaguar Land Rover PLC, 8.125%, 2021 (n)                                   | 345,000           | 348,450           |
| Lear Corp., 8.125%, 2020  | 190,000           | 212,800           |
|   |                   | \$ 3,456,984      |

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*Portfolio of Investments (unaudited) continued*

| Issuer  | Shares/Par | Value (\$)          |
|---|------------|---------------------|
| <b>Bonds - continued</b>                                    |            |                     |
| <b>Basic Industry - 0.3%</b>                                |            |                     |
| Trimas Corp., 9.75%, 2017                                   | \$ 172,000 | \$ 187,910          |
| <b>Broadcasting - 6.9%</b>                                  |            |                     |
| Allbritton Communications Co., 8%, 2018                     | \$ 175,000 | \$ 181,125          |
| AMC Networks, Inc., 7.75%, 2021 (n)                         | 136,000    | 150,960             |
| Clear Channel Communications, Inc., 9%, 2021                | 223,000    | 191,780             |
| Clear Channel Worldwide Holdings, Inc., 7.625%, 2020 (n)    | 225,000    | 214,875             |
| Clear Channel Worldwide Holdings, Inc., A, 7.625%, 2020 (n) | 10,000     | 9,400               |
| Hughes Network Systems LLC, 7.625%, 2021                    | 215,000    | 222,525             |
| Inmarsat Finance PLC, 7.375%, 2017 (n)                      | 165,000    | 175,725             |
| Intelsat Bermuda Ltd., 11.25%, 2017                         | 400,000    | 393,000             |
| Intelsat Bermuda Ltd., 11.5%, 2017 (p)                      | 325,000    | 319,313             |
| Intelsat Jackson Holdings Ltd., 11.25%, 2016                | 163,000    | 170,131             |
| LBI Media, Inc., 8.5%, 2017 (z)                             | 150,000    | 30,000              |
| Liberty Media Corp., 8.5%, 2029                             | 215,000    | 218,225             |
| Liberty Media Corp., 8.25%, 2030                            | 45,000     | 45,788              |
| LIN Television Corp., 8.375%, 2018                          | 55,000     | 56,375              |
| Local TV Finance LLC, 9.25%, 2015 (p)(z)                    | 268,809    | 273,849             |
| Newport Television LLC, 13%, 2017 (n)(p)                    | 173,412    | 178,614             |
| Nexstar Broadcasting Group, Inc., 8.875%, 2017              | 80,000     | 83,600              |
| Sinclair Broadcast Group, Inc., 9.25%, 2017 (n)             | 125,000    | 137,500             |
| Sinclair Broadcast Group, Inc., 8.375%, 2018                | 40,000     | 42,900              |
| SIRIUS XM Radio, Inc., 13%, 2013 (n)                        | 110,000    | 123,475             |
| SIRIUS XM Radio, Inc., 8.75%, 2015 (n)                      | 220,000    | 248,050             |
| SIRIUS XM Radio, Inc., 7.625%, 2018 (n)                     | 170,000    | 181,900             |
| Townsquare Radio LLC, 9%, 2019 (z)                          | 100,000    | 102,500             |
| Univision Communications, Inc., 6.875%, 2019 (n)            | 240,000    | 234,000             |
| Univision Communications, Inc., 7.875%, 2020 (n)            | 150,000    | 153,375             |
| Univision Communications, Inc., 8.5%, 2021 (n)              | 135,000    | 130,275             |
|   |            | <b>\$ 4,269,260</b> |
| <b>Brokerage &amp; Asset Managers - 1.1%</b>                |            |                     |
| E*TRADE Financial Corp., 7.875%, 2015                       | \$ 260,000 | \$ 263,900          |
| E*TRADE Financial Corp., 12.5%, 2017                        | 365,000    | 418,838             |
|   |            | <b>\$ 682,738</b>   |
| <b>Building - 2.5%</b>                                      |            |                     |
| Building Materials Holding Corp., 6.875%, 2018 (n)          | \$ 165,000 | \$ 170,361          |
| Building Materials Holding Corp., 7%, 2020 (n)              | 115,000    | 120,750             |
| Building Materials Holding Corp., 6.75%, 2021 (n)           | 100,000    | 102,250             |
| CEMEX S.A., 9.25%, 2020                                     | 375,000    | 296,250             |
| HD Supply, Inc., 8.125%, 2019 (n)                           | 80,000     | 83,400              |
| Masonite International Corp., 8.25%, 2021 (n)               | 230,000    | 234,025             |

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

| Issuer   | Shares/Par  | Value (\$)   |
|--|-------------|--------------|
| <b>Bonds - continued</b>   |             |              |
| <b>Building - continued</b>  |             |              |
| Nortek, Inc., 10%, 2018  | \$ 120,000  | \$ 126,600   |
| Nortek, Inc., 8.5%, 2021   | 245,000     | 237,650      |
| Roofing Supply Group LLC/Roofing Supply Finance, Inc., 10%, 2020 (z) | 80,000      | 80,800       |
| USG Corp., 7.875%, 2020 (n)  | 110,000     | 112,475      |
|  |             | \$ 1,564,561 |
| <b>Business Services - 1.6%</b>                                      |             |              |
| Ceridian Corp., 12.25%, 2015 (p)                                     | \$ 120,000  | \$ 109,800   |
| Fidelity National Information Services, Inc., 7.625%, 2017           | 80,000      | 87,100       |
| Fidelity National Information Services, Inc., 5%, 2022 (n)           | 105,000     | 101,981      |
| iGate Corp., 9%, 2016  | 289,000     | 306,340      |
| Iron Mountain, Inc., 8.375%, 2021                                    | 220,000     | 234,850      |
| SunGard Data Systems, Inc., 10.25%, 2015                             | 47,000      | 48,293       |
| SunGard Data Systems, Inc., 7.375%, 2018                             | 100,000     | 101,750      |
|  |             | \$ 990,114   |
| <b>Cable TV - 5.1%</b>   |             |              |
| Bresnan Broadband Holdings LLC, 8%, 2018 (n)                         | \$ 60,000   | \$ 61,050    |
| CCH II LLC, 13.5%, 2016  | 285,000     | 319,200      |
| CCO Holdings LLC, 7.875%, 2018                                       | 355,000     | 380,736      |
| CCO Holdings LLC, 8.125%, 2020                                       | 400,000     | 440,000      |
| Cequel Communications Holdings, 8.625%, 2017 (n)                     | 120,000     | 126,450      |
| CSC Holdings LLC, 8.5%, 2014   | 255,000     | 280,819      |
| DISH DBS Corp., 6.75%, 2021  | 105,000     | 108,413      |
| EchoStar Corp., 7.125%, 2016   | 160,000     | 171,200      |
| ONO Finance II PLC, 10.875%, 2019 (n)                                | 150,000     | 120,000      |
| Telenet Finance Luxembourg, 6.375%, 2020 (n)                         | EUR 100,000 | 122,414      |
| UPC Holding B.V., 9.875%, 2018 (n)                                   | \$ 100,000  | 108,000      |
| UPCB Finance III Ltd., 6.625%, 2020 (n)                              | 354,000     | 348,690      |
| Videotron Ltee, 5%, 2022 (n)   | 115,000     | 112,125      |
| Virgin Media Finance PLC, 9.5%, 2016                                 | 83,000      | 91,923       |
| Virgin Media Finance PLC, 5.25%, 2022                                | 200,000     | 195,000      |
| Ziggo Bond Co. B.V., 8%, 2018 (n)                                    | EUR 135,000 | 178,613      |
|  |             | \$ 3,164,633 |
| <b>Chemicals - 4.5%</b>  |             |              |
| Celanese U.S. Holdings LLC, 6.625%, 2018                             | \$ 335,000  | \$ 354,260   |
| Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, 8.875%, 2018   | 465,000     | 462,675      |
| Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, 9%, 2020       | 60,000      | 52,350       |
| Huntsman International LLC, 8.625%, 2021                             | 235,000     | 263,200      |
| INEOS Finance PLC, 8.375%, 2019 (n)                                  | 200,000     | 205,500      |
| INEOS Group Holdings PLC, 8.5%, 2016 (n)                             | 160,000     | 144,400      |
| LyondellBasell Industries N.V., 6%, 2021 (n)                         | 275,000     | 294,250      |

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*Portfolio of Investments (unaudited) continued*

| Issuer   | Shares/Par | Value (\$)   |
|--|------------|--------------|
| <b>Bonds - continued</b>                                 |            |              |
| <b>Chemicals - continued</b>                             |            |              |
| Momentive Performance Materials, Inc., 12.5%, 2014       | \$ 505,000 | \$ 528,988   |
| Momentive Performance Materials, Inc., 11.5%, 2016       | 260,000    | 195,000      |
| Polypore International, Inc., 7.5%, 2017                 | 255,000    | 266,475      |
|  |            | \$ 2,767,098 |
| <b>Computer Software - 1.3%</b>                          |            |              |
| Lawson Software, Inc., 11.5%, 2018 (n)                   | \$ 300,000 | \$ 329,250   |
| Lawson Software, Inc., 9.375%, 2019 (n)                  | 30,000     | 30,900       |
| Syniverse Holdings, Inc., 9.125%, 2019                   | 295,000    | 316,388      |
| TransUnion Holding Co., Inc., 9.625%, 2018 (n)(p)        | 85,000     | 89,675       |
| TransUnion LLC/TransUnion Financing Corp., 11.375%, 2018 | 40,000     | 46,850       |
|  |            | \$ 813,063   |
| <b>Computer Software - Systems - 1.6%</b>                |            |              |
| Audatex North America, Inc., 6.75%, 2018 (n)             | \$ 140,000 | \$ 144,200   |
| CDW LLC/CDW Finance Corp., 12.535%, 2017                 | 95,000     | 101,650      |
| CDW LLC/CDW Finance Corp., 8.5%, 2019 (n)                | 65,000     | 66,786       |
| CDW LLC/CDW Finance Corp., 8.5%, 2019                    | 305,000    | 313,386      |
| DuPont Fabros Technology, Inc., REIT, 8.5%, 2017         | 350,000    | 381,500      |
|  |            | \$ 1,007,522 |
| <b>Conglomerates - 2.2%</b>                              |            |              |
| Amsted Industries, Inc., 8.125%, 2018 (n)                | \$ 375,000 | \$ 397,500   |
| Dynacast International LLC, 9.25%, 2019 (z)              | 200,000    | 206,000      |
| Griffon Corp., 7.125%, 2018                              | 365,000    | 366,825      |
| Tomkins LLC/Tomkins, Inc., 9%, 2018                      | 373,000    | 409,834      |
|  |            | \$ 1,380,159 |
| <b>Consumer Products - 1.4%</b>                          |            |              |
| ACCO Brands Corp., 6.75%, 2020                           | \$ 40,000  | \$ 41,100    |
| Easton-Bell Sports, Inc., 9.75%, 2016                    | 145,000    | 158,413      |
| Elizabeth Arden, Inc., 7.375%, 2021                      | 280,000    | 305,550      |
| FGI Operating Co./FGI Finance, Inc., 7.875%, 2020 (z)    | 20,000     | 20,550       |
| Jarden Corp., 7.5%, 2020                                 | 195,000    | 211,088      |
| Libbey Glass, Inc., 10%, 2015                            | 14,000     | 14,910       |
| Libbey Glass, Inc., 6.875%, 2020 (z)                     | 80,000     | 80,200       |
| Prestige Brands, Inc., 8.125%, 2020 (z)                  | 20,000     | 21,600       |
|  |            | \$ 853,411   |
| <b>Consumer Services - 1.7%</b>                          |            |              |
| Realogy Corp., 11.5%, 2017                               | \$ 170,000 | \$ 150,450   |
| Service Corp. International, 6.75%, 2015                 | 25,000     | 27,000       |
| Service Corp. International, 7%, 2017                    | 785,000    | 873,313      |
|  |            | \$ 1,050,763 |

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

| Issuer   | Shares/Par | Value (\$)   |
|--|------------|--------------|
| <b>Bonds - continued</b>                       |            |              |
| <b>Containers - 3.1%</b>                       |            |              |
| Ardagh Packaging Finance PLC, 9.125%, 2020 (n) | \$ 400,000 | \$ 412,000   |
| Ball Corp., 5%, 2022                           | 134,000    | 135,340      |
| Exopack Holding Corp., 10%, 2018               | 155,000    | 157,325      |
| Greif, Inc., 6.75%, 2017                       | 350,000    | 375,375      |
| Reynolds Group, 7.75%, 2016 (n)                | 100,000    | 105,500      |
| Reynolds Group, 7.125%, 2019 (n)               | 225,000    | 231,188      |
| Reynolds Group, 9.875%, 2019 (n)               | 100,000    | 99,750       |
| Reynolds Group, 8.5%, 2021 (n)                 | 285,000    | 264,338      |
| Sealed Air Corp., 8.125%, 2019 (n)             | 40,000     | 43,400       |
| Sealed Air Corp., 8.375%, 2021 (n)             | 40,000     | 44,000       |
| Tekni-Plex, Inc., 9.75%, 2019 (z)              | 40,000     | 39,700       |
|  |            | \$ 1,907,916 |
| <b>Defense Electronics - 0.8%</b>              |            |              |
| Ducommun, Inc., 9.75%, 2018                    | \$ 166,000 | \$ 175,545   |
| ManTech International Corp., 7.25%, 2018       | 145,000    | 152,975      |
| MOOG, Inc., 7.25%, 2018                        | 135,000    | 141,750      |
|  |            | \$ 470,270   |
| <b>Electrical Equipment - 0.3%</b>             |            |              |
| Avaya, Inc., 9.75%, 2015                       | \$ 205,000 | \$ 169,125   |
| Avaya, Inc., 7%, 2019 (z)                      | 45,000     | 40,275       |
|  |            | \$ 209,400   |
| <b>Electronics - 1.2%</b>                      |            |              |
| Freescale Semiconductor, Inc., 9.25%, 2018 (n) | \$ 280,000 | \$ 294,700   |
| Freescale Semiconductor, Inc., 8.05%, 2020     | 85,000     | 80,750       |
| Nokia Corp., 5.375%, 2019                      | 65,000     | 53,051       |
| Sensata Technologies B.V., 6.5%, 2019 (n)      | 305,000    | 305,763      |
|  |            | \$ 734,264   |
| <b>Energy - Independent - 10.4%</b>            |            |              |
| ATP Oil & Gas Corp., 11.875%, 2015             | \$ 245,000 | \$ 130,463   |
| BreitBurn Energy Partners LP, 8.625%, 2020     | 85,000     | 88,186       |
| BreitBurn Energy Partners LP, 7.875%, 2022 (n) | 135,000    | 132,300      |
| Carrizo Oil & Gas, Inc., 8.625%, 2018          | 160,000    | 167,200      |
| Chaparral Energy, Inc., 7.625%, 2022 (n)       | 125,000    | 127,810      |
| Chesapeake Energy Corp., 6.875%, 2020          | 100,000    | 94,750       |
| Concho Resources, Inc., 8.625%, 2017           | 110,000    | 119,900      |
| Concho Resources, Inc., 6.5%, 2022             | 225,000    | 235,125      |
| Continental Resources, Inc., 8.25%, 2019       | 165,000    | 183,150      |
| Denbury Resources, Inc., 8.25%, 2020           | 225,000    | 243,000      |
| Energy XXI Gulf Coast, Inc., 9.25%, 2017       | 285,000    | 306,375      |

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

| Issuer  | Shares/Par | Value (\$)   |
|---|------------|--------------|
| <b>Bonds - continued</b>  |            |              |
| <b>Energy - Independent - continued</b>                                     |            |              |
| Everest Acquisition LLC/Everest Acquisition Finance, Inc., 9.375%, 2020 (n) | \$ 380,000 | \$ 389,500   |
| EXCO Resources, Inc., 7.5%, 2018  | 355,000    | 299,975      |
| Harvest Operations Corp., 6.875%, 2017 (n)                                  | 345,000    | 361,388      |
| Hilcorp Energy I/Hilcorp Finance Co., 8%, 2020 (n)                          | 70,000     | 74,550       |
| Laredo Petroleum, Inc., 9.5%, 2019  | 170,000    | 188,700      |
| Laredo Petroleum, Inc., 7.375%, 2022 (n)                                    | 40,000     | 40,900       |
| LINN Energy LLC, 6.5%, 2019 (n)   | 100,000    | 97,000       |
| LINN Energy LLC, 8.625%, 2020   | 55,000     | 58,300       |
| LINN Energy LLC, 7.75%, 2021  | 209,000    | 213,703      |
| Newfield Exploration Co., 6.625%, 2016                                      | 90,000     | 92,025       |
| Newfield Exploration Co., 6.875%, 2020                                      | 215,000    | 227,900      |
| OGX Petroleo e Gas Participacoes S.A., 8.5%, 2018 (n)                       | 602,000    | 579,425      |
| Pioneer Natural Resources Co., 7.5%, 2020                                   | 200,000    | 247,307      |
| Plains Exploration & Production Co., 8.625%, 2019                           | 130,000    | 141,050      |
| QEP Resources, Inc., 6.875%, 2021   | 410,000    | 443,825      |
| Range Resources Corp., 8%, 2019   | 185,000    | 201,650      |
| SandRidge Energy, Inc., 8%, 2018 (n)  | 425,000    | 425,000      |
| SM Energy Co., 6.5%, 2021   | 170,000    | 173,825      |
| Swift Energy Co., 7.875%, 2022  | 115,000    | 116,150      |
| Whiting Petroleum Corp., 6.5%, 2018   | 215,000    | 224,675      |
|   |            | \$ 6,425,107 |
| <b>Energy - Integrated - 0.2%</b>   |            |              |
| Pacific Rubiales Energy Corp., 7.25%, 2021 (n)                              | \$ 100,000 | \$ 107,000   |
| <b>Engineering - Construction - 0.3%</b>                                    |            |              |
| B-Corp. Merger Sub, Inc., 8.25%, 2019 (n)                                   | \$ 185,000 | \$ 185,000   |
| <b>Entertainment - 1.8%</b>   |            |              |
| AMC Entertainment, Inc., 8.75%, 2019  | \$ 210,000 | \$ 224,700   |
| AMC Entertainment, Inc., 9.75%, 2020  | 210,000    | 225,750      |
| Cedar Fair LP, 9.125%, 2018   | 115,000    | 127,361      |
| Cinemark USA, Inc., 8.625%, 2019  | 380,000    | 413,250      |
| NAI Entertainment Holdings LLC, 8.25%, 2017 (n)                             | 90,000     | 98,100       |
|   |            | \$ 1,089,161 |
| <b>Financial Institutions - 7.1%</b>  |            |              |
| Ally Financial, Inc., 5.5%, 2017  | \$ 430,000 | \$ 430,387   |
| CIT Group, Inc., 5.25%, 2014 (n)  | 510,000    | 518,925      |
| CIT Group, Inc., 5.25%, 2018  | 155,000    | 152,675      |
| CIT Group, Inc., 6.625%, 2018 (n)   | 274,000    | 284,275      |

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

| Issuer   | Shares/Par  | Value (\$)   |
|--|-------------|--------------|
| <b>Bonds - continued</b>                                     |             |              |
| <b>Financial Institutions - continued</b>                    |             |              |
| CIT Group, Inc., 5.5%, 2019 (n)                              | \$ 280,000  | \$ 272,300   |
| Credit Acceptance Corp., 9.125%, 2017                        | 225,000     | 241,875      |
| GMAC, Inc., 8%, 2031   | 35,000      | 39,375       |
| Icahn Enterprises LP, 8%, 2018                               | 323,000     | 341,976      |
| International Lease Finance Corp., 4.875%, 2015              | 105,000     | 103,468      |
| International Lease Finance Corp., 8.625%, 2015              | 80,000      | 87,200       |
| International Lease Finance Corp., 8.75%, 2017               | 225,000     | 249,750      |
| International Lease Finance Corp., 7.125%, 2018 (n)          | 246,000     | 270,600      |
| Nationstar Mortgage LLC/Capital Corp., 10.875%, 2015         | 465,000     | 502,200      |
| PHH Corp., 9.25%, 2016                                       | 265,000     | 275,600      |
| SLM Corp., 8.45%, 2018                                       | 80,000      | 84,400       |
| SLM Corp., 8%, 2020  | 460,000     | 470,821      |
| SLM Corp., 7.25%, 2022                                       | 55,000      | 53,833       |
|  |             | \$ 4,379,660 |
| <b>Food &amp; Beverages - 2.9%</b>                           |             |              |
| ARAMARK Corp., 8.5%, 2015                                    | \$ 430,000  | \$ 440,217   |
| B&G Foods, Inc., 7.625%, 2018                                | 295,000     | 315,650      |
| Constellation Brands, Inc., 7.25%, 2016                      | 180,000     | 203,061      |
| Del Monte Foods Co., 7.625%, 2019                            | 30,000      | 29,100       |
| JBS USA LLC/JBS USA Finance, 8.25%, 2020 (n)                 | 225,000     | 214,875      |
| Pinnacle Foods Finance LLC, 9.25%, 2015                      | 330,000     | 336,600      |
| Pinnacle Foods Finance LLC, 8.25%, 2017                      | 50,000      | 52,250       |
| TreeHouse Foods, Inc., 7.75%, 2018                           | 215,000     | 232,200      |
|  |             | \$ 1,823,953 |
| <b>Forest &amp; Paper Products - 2.0%</b>                    |             |              |
| Boise, Inc., 8%, 2020  | \$ 225,000  | \$ 246,375   |
| Cascades, Inc., 7.75%, 2017                                  | 205,000     | 203,975      |
| Georgia-Pacific Corp., 8%, 2024                              | 115,000     | 152,815      |
| Graphic Packaging Holding Co., 7.875%, 2018                  | 125,000     | 137,813      |
| Millar Western Forest Products Ltd., 8.5%, 2021              | 40,000      | 33,200       |
| Smurfit Kappa Group PLC, 7.75%, 2019 (n)                     | EUR 120,000 | 155,799      |
| Tembec Industries, Inc., 11.25%, 2018 (n)                    | \$ 15,000   | 14,888       |
| Tembec Industries, Inc., 11.25%, 2018                        | 135,000     | 133,988      |
| Xerium Technologies, Inc., 8.875%, 2018                      | 215,000     | 162,325      |
|  |             | \$ 1,241,178 |
| <b>Gaming &amp; Lodging - 5.2%</b>                           |             |              |
| Boyd Gaming Corp., 7.125%, 2016                              | \$ 165,000  | \$ 157,575   |
| Caesars Operating Escrow LLC, 8.5%, 2020 (n)                 | 60,000      | 59,775       |
| Fontainebleau Las Vegas Holdings LLC, 10.25%, 2015 (a)(d)(n) | 695,000     | 434          |
| GWR Operating Partnership LLP, 10.875%, 2017                 | 135,000     | 152,550      |

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*Portfolio of Investments (unaudited) continued*

| Issuer  | Shares/Par | Value (\$)          |
|---|------------|---------------------|
| <b>Bonds - continued</b>  |            |                     |
| <b>Gaming &amp; Lodging - continued</b>                                       |            |                     |
| Harrah's Operating Co., Inc., 11.25%, 2017                                    | \$ 365,000 | \$ 387,813          |
| Harrah's Operating Co., Inc., 10%, 2018                                       | 164,000    | 108,240             |
| Harrah's Operating Co., Inc., 10%, 2018                                       | 270,000    | 182,250             |
| MGM Mirage, 10.375%, 2014   | 40,000     | 45,000              |
| MGM Mirage, 6.625%, 2015  | 70,000     | 71,881              |
| MGM Mirage, 7.5%, 2016  | 35,000     | 35,788              |
| MGM Resorts International, 11.375%, 2018                                      | 405,000    | 466,763             |
| MGM Resorts International, 9%, 2020   | 170,000    | 186,150             |
| Penn National Gaming, Inc., 8.75%, 2019                                       | 357,000    | 393,593             |
| Pinnacle Entertainment, Inc., 8.75%, 2020                                     | 130,000    | 141,375             |
| Pinnacle Entertainment, Inc., 7.75%, 2022                                     | 70,000     | 73,850              |
| Rivers Pittsburgh Borrower LP/Rivers Pittsburgh Finance Corp., 9.5%, 2019 (z) | 40,000     | 40,900              |
| Seven Seas Cruises S. de R.L., 9.125%, 2019 (n)                               | 265,000    | 272,950             |
| Wyndham Worldwide Corp., 6%, 2016   | 1,000      | 1,126               |
| Wyndham Worldwide Corp., 7.375%, 2020   | 105,000    | 127,675             |
| Wynn Las Vegas LLC, 7.75%, 2020   | 315,000    | 342,169             |
|   |            | <b>\$ 3,247,857</b> |
| <b>Industrial - 1.7%</b>  |            |                     |
| Altra Holdings, Inc., 8.125%, 2016  | \$ 115,000 | \$ 122,762          |
| Dematic S.A., 8.75%, 2016 (z)   | 200,000    | 207,000             |
| Hillman Group, Inc., 10.875%, 2018  | 210,000    | 218,925             |
| Hyva Global B.V., 8.625%, 2016 (n)  | 200,000    | 170,500             |
| Mueller Water Products, Inc., 8.75%, 2020                                     | 142,000    | 156,910             |
| Rexel S.A., 6.125%, 2019 (n)  | 200,000    | 199,000             |
|   |            | <b>\$ 1,075,097</b> |
| <b>Insurance - 2.3%</b>   |            |                     |
| American International Group, Inc., 8.25%, 2018                               | \$ 170,000 | \$ 204,419          |
| American International Group, Inc., 8.175% to 2038, FRN to 2068               | 505,000    | 524,569             |
| MetLife, Inc., 9.25% to 2038, FRN to 2068 (n)                                 | 600,000    | 714,000             |
|   |            | <b>\$ 1,442,988</b> |
| <b>Insurance - Health - 0.3%</b>  |            |                     |
| AMERIGROUP Corp., 7.5%, 2019  | \$ 155,000 | \$ 165,850          |
| <b>Insurance - Property &amp; Casualty - 1.3%</b>                             |            |                     |
| Liberty Mutual Group, Inc., 10.75% to 2038, FRN to 2088 (n)                   | \$ 330,000 | \$ 455,400          |
| XL Group PLC, 6.5% to 2017, FRN to 2049                                       | 475,000    | 365,750             |
|   |            | <b>\$ 821,150</b>   |



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*Portfolio of Investments (unaudited) continued*

| Issuer   | Shares/Par | Value (\$)   |
|--|------------|--------------|
| <b>Bonds - continued</b>   |            |              |
| <b>Machinery &amp; Tools - 2.2%</b>                                    |            |              |
| Case Corp., 7.25%, 2016  | \$ 90,000  | \$ 98,325    |
| Case New Holland, Inc., 7.875%, 2017                                   | 525,000    | 598,500      |
| CNH Capital LLC, 6.25%, 2016 (n)                                       | 65,000     | 67,761       |
| NESCO LLC/NESCO Holdings Corp., 11.75%, 2017 (z)                       | 120,000    | 121,200      |
| RSC Equipment Rental, Inc., 8.25%, 2021                                | 240,000    | 253,800      |
| UR Financing Escrow Corp., 5.75%, 2018 (n)                             | 115,000    | 117,013      |
| UR Financing Escrow Corp., 7.625%, 2022 (n)                            | 117,000    | 119,633      |
|  |            | \$ 1,376,232 |
| <b>Major Banks - 0.9%</b>  |            |              |
| Bank of America Corp., 5.65%, 2018                                     | \$ 175,000 | \$ 182,288   |
| Royal Bank of Scotland Group PLC, 6.99% to 2017, FRN to 2049 (a)(d)(n) | 100,000    | 76,000       |
| Royal Bank of Scotland Group PLC, 7.648% to 2031, FRN to 2049          | 365,000    | 278,313      |
|  |            | \$ 536,601   |
| <b>Medical &amp; Health Technology &amp; Services - 6.9%</b>           |            |              |
| Biomet, Inc., 10.375%, 2017 (p)  | \$ 85,000  | \$ 90,472    |
| Biomet, Inc., 11.625%, 2017  | 435,000    | 461,100      |
| Davita, Inc., 6.375%, 2018   | 505,000    | 511,313      |
| Davita, Inc., 6.625%, 2020   | 145,000    | 146,813      |
| Fresenius Medical Care AG & Co. KGaA, 9%, 2015 (n)                     | 165,000    | 188,513      |
| Fresenius Medical Care Capital Trust III, 5.625%, 2019 (n)             | 85,000     | 84,363       |
| HCA, Inc., 8.5%, 2019  | 665,000    | 733,994      |
| HCA, Inc., 7.5%, 2022  | 185,000    | 193,903      |
| HCA, Inc., 5.875%, 2022  | 85,000     | 84,363       |
| HealthSouth Corp., 8.125%, 2020  | 390,000    | 416,325      |
| IASIS Healthcare LLC/IASIS Capital Corp., 8.375%, 2019                 | 130,000    | 122,200      |
| Physio-Control International, Inc., 9.875%, 2019 (z)                   | 135,000    | 143,100      |
| Teleflex, Inc., 6.875%, 2019   | 275,000    | 291,500      |
| Tenet Healthcare Corp., 9.25%, 2015                                    | 140,000    | 154,525      |
| Truven Health Analytics, Inc., 10.625%, 2020 (z)                       | 50,000     | 50,250       |
| Universal Health Services, Inc., 7%, 2018                              | 130,000    | 139,100      |
| Universal Hospital Services, Inc., 8.5%, 2015 (p)                      | 280,000    | 285,250      |
| USPI Finance Corp., 9%, 2020 (n)                                       | 70,000     | 72,625       |
| Vanguard Health Systems, Inc., 0%, 2016                                | 2,000      | 1,385        |
| Vanguard Health Systems, Inc., 8%, 2018                                | 105,000    | 102,900      |
|  |            | \$ 4,273,994 |
| <b>Metals &amp; Mining - 3.1%</b>                                      |            |              |
| Arch Coal, Inc., 7.25%, 2020   | \$ 110,000 | \$ 94,050    |
| Cloud Peak Energy, Inc., 8.25%, 2017                                   | 445,000    | 455,011      |
| Cloud Peak Energy, Inc., 8.5%, 2019                                    | 225,000    | 231,750      |
| Consol Energy, Inc., 8%, 2017  | 170,000    | 170,425      |

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*Portfolio of Investments (unaudited) continued*

| Issuer   | Shares/Par | Value (\$)   |
|--|------------|--------------|
| <b>Bonds - continued</b>                                     |            |              |
| <b>Metals &amp; Mining - continued</b>                       |            |              |
| Consol Energy, Inc., 8.25%, 2020                             | \$ 110,000 | \$ 110,000   |
| Fortescue Metals Group Ltd., 8.25%, 2019 (n)                 | 245,000    | 252,963      |
| Peabody Energy Corp., 7.375%, 2016                           | 350,000    | 387,625      |
| Peabody Energy Corp., 6%, 2018 (n)                           | 110,000    | 109,725      |
| Peabody Energy Corp., 6.25%, 2021 (n)                        | 110,000    | 109,725      |
|  |            | \$ 1,921,274 |
| <b>Natural Gas - Distribution - 0.3%</b>                     |            |              |
| AmeriGas Finance LLC, 6.75%, 2020                            | \$ 80,000  | \$ 78,800    |
| Ferrellgas LP/Ferrellgas Finance Corp., 6.5%, 2021           | 105,000    | 93,975       |
|  |            | \$ 172,775   |
| <b>Natural Gas - Pipeline - 3.3%</b>                         |            |              |
| Atlas Pipeline Partners LP, 8.75%, 2018                      | \$ 280,000 | \$ 296,800   |
| Colorado Interstate Gas Co., 6.8%, 2015                      | 91,000     | 105,794      |
| Crosstex Energy, Inc., 8.875%, 2018                          | 270,000    | 283,500      |
| El Paso Corp., 7%, 2017                                      | 185,000    | 207,633      |
| El Paso Corp., 7.75%, 2032                                   | 395,000    | 450,830      |
| Energy Transfer Equity LP, 7.5%, 2020                        | 290,000    | 313,200      |
| Enterprise Products Partners LP, 8.375% to 2016, FRN to 2066 | 249,000    | 268,920      |
| Enterprise Products Partners LP, 7.034% to 2018, FRN to 2068 | 67,000     | 71,355       |
| Rockies Express Pipeline LLC, 5.625%, 2020 (n)               | 88,000     | 77,880       |
|  |            | \$ 2,075,912 |
| <b>Network &amp; Telecom - 2.5%</b>                          |            |              |
| Citizens Communications Co., 9%, 2031                        | \$ 110,000 | \$ 100,650   |
| Eileme 2 AB, 11.625%, 2020 (n)                               | 200,000    | 196,000      |
| Frontier Communications Corp., 8.125%, 2018                  | 225,000    | 228,938      |
| Qwest Communications International, Inc., 7.125%, 2018 (n)   | 315,000    | 332,777      |
| Qwest Corp., 7.5%, 2014                                      | 145,000    | 162,418      |
| Windstream Corp., 8.125%, 2018                               | 45,000     | 46,688       |
| Windstream Corp., 7.75%, 2020                                | 375,000    | 375,000      |
| Windstream Corp., 7.75%, 2021                                | 100,000    | 100,250      |
|  |            | \$ 1,542,721 |
| <b>Oil Services - 1.2%</b>                                   |            |              |
| Chesapeake Energy Corp., 6.625%, 2019 (n)                    | \$ 85,000  | \$ 73,525    |
| Dresser-Rand Group, Inc., 6.5%, 2021                         | 80,000     | 81,600       |
| Edgen Murray Corp., 12.25%, 2015                             | 165,000    | 168,713      |
| Pioneer Drilling Co., 9.875%, 2018 (n)                       | 35,000     | 36,750       |
| Pioneer Drilling Co., 9.875%, 2018                           | 230,000    | 241,500      |
| Unit Corp., 6.625%, 2021                                     | 135,000    | 134,325      |
|  |            | \$ 736,413   |

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

| Issuer  | Shares/Par  | Value (\$)   |
|---|-------------|--------------|
| <b>Bonds - continued</b>                                    |             |              |
| <b>Other Banks &amp; Diversified Financials - 1.7%</b>      |             |              |
| Capital One Financial Corp., 10.25%, 2039                   | \$ 305,000  | \$ 315,675   |
| Groupe BPCE S.A., 12.5% to 2019, FRN to 2049 (n)            | 125,000     | 121,254      |
| LBG Capital No. 1 PLC, 7.875%, 2020 (n)                     | 210,000     | 183,341      |
| Santander UK PLC, 8.963% to 2030, FRN to 2049               | 478,000     | 463,660      |
|   |             | \$ 1,083,930 |
| <b>Pharmaceuticals - 1.1%</b>                               |             |              |
| Capsugel FinanceCo. SCA, 9.875%, 2019 (n)                   | EUR 200,000 | \$ 259,665   |
| Endo Health Solutions, Inc., 7%, 2019                       | \$ 205,000  | 214,225      |
| Valeant Pharmaceuticals International, Inc., 6.5%, 2016 (n) | 65,000      | 66,300       |
| Valeant Pharmaceuticals International, Inc., 7%, 2020 (n)   | 125,000     | 120,938      |
|   |             | \$ 661,128   |
| <b>Pollution Control - 0.2%</b>                             |             |              |
| Heckmann Corp., 9.875%, 2018 (z)                            | \$ 110,000  | \$ 104,500   |
| <b>Printing &amp; Publishing - 0.6%</b>                     |             |              |
| American Media, Inc., 13.5%, 2018 (z)                       | \$ 28,207   | \$ 24,258    |
| Morris Publishing Group LLC, 10%, 2014                      | 66,908      | 66,072       |
| Nielsen Finance LLC, 11.5%, 2016                            | 97,000      | 109,610      |
| Nielsen Finance LLC, 7.75%, 2018                            | 165,000     | 177,375      |
|   |             | \$ 377,315   |
| <b>Railroad &amp; Shipping - 0.2%</b>                       |             |              |
| Kansas City Southern de Mexico S.A. de C.V., 6.125%, 2021   | \$ 90,000   | \$ 97,425    |
| <b>Real Estate - 1.3%</b>                                   |             |              |
| CB Richard Ellis Group, Inc., 11.625%, 2017                 | \$ 180,000  | \$ 203,400   |
| CNL Lifestyle Properties, Inc., REIT, 7.25%, 2019           | 80,000      | 71,600       |
| Entertainment Properties Trust, REIT, 7.75%, 2020           | 200,000     | 218,443      |
| Kennedy Wilson, Inc., 8.75%, 2019                           | 75,000      | 77,250       |
| MPT Operating Partnership LP, REIT, 6.875%, 2021            | 150,000     | 154,500      |
| MPT Operating Partnership LP, REIT, 6.375%, 2022            | 70,000      | 69,650       |
|   |             | \$ 794,843   |
| <b>Retailers - 3.5%</b>                                     |             |              |
| Academy Ltd., 9.25%, 2019 (n)                               | \$ 160,000  | \$ 168,800   |
| Burlington Coat Factory Warehouse Corp., 10%, 2019          | 210,000     | 216,825      |
| J. Crew Group, Inc., 8.125%, 2019                           | 145,000     | 145,544      |
| Limited Brands, Inc., 6.9%, 2017                            | 125,000     | 139,063      |
| Limited Brands, Inc., 6.95%, 2033                           | 175,000     | 168,000      |
| Neiman Marcus Group, Inc., 10.375%, 2015                    | 255,000     | 266,796      |
| QVC, Inc., 7.375%, 2020 (n)                                 | 125,000     | 136,250      |
| Rite Aid Corp., 9.25%, 2020 (z)                             | 95,000      | 90,963       |

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

| Issuer  | Shares/Par | Value (\$)   |
|---|------------|--------------|
| <b>Bonds - continued</b>                                |            |              |
| <b>Retailers - continued</b>                            |            |              |
| Sally Beauty Holdings, Inc., 6.875%, 2019 (n)           | \$ 110,000 | \$ 117,150   |
| Toys R Us Property Co. II LLC, 8.5%, 2017               | 330,000    | 339,488      |
| Toys R Us, Inc., 10.75%, 2017                           | 280,000    | 304,500      |
| Yankee Acquisition Corp., 8.5%, 2015                    | 2,000      | 2,050        |
| YCC Holdings LLC/Yankee Finance, Inc., 10.25%, 2016 (p) | 90,000     | 90,225       |
|   |            | \$ 2,185,654 |
| <b>Specialty Chemicals - 0.1%</b>                       |            |              |
| Koppers, Inc., 7.875%, 2019                             | \$ 70,000  | \$ 74,725    |
| <b>Specialty Stores - 0.4%</b>                          |            |              |
| Michaels Stores, Inc., 11.375%, 2016                    | \$ 125,000 | \$ 132,814   |
| Michaels Stores, Inc., 7.75%, 2018                      | 125,000    | 130,313      |
|   |            | \$ 263,127   |
| <b>Telecommunications - Wireless - 4.7%</b>             |            |              |
| Clearwire Corp., 12%, 2015 (n)                          | \$ 335,000 | \$ 292,286   |
| Cricket Communications, Inc., 7.75%, 2016               | 135,000    | 142,425      |
| Cricket Communications, Inc., 7.75%, 2020               | 220,000    | 201,300      |
| Crown Castle International Corp., 9%, 2015              | 215,000    | 233,811      |
| Crown Castle International Corp., 7.125%, 2019          | 345,000    | 370,444      |
| Digicel Group Ltd., 8.25%, 2017 (n)                     | 235,000    | 236,175      |
| Digicel Group Ltd., 10.5%, 2018 (n)                     | 100,000    | 102,000      |
| MetroPCS Wireless, Inc., 7.875%, 2018                   | 90,000     | 90,900       |
| Sprint Capital Corp., 6.875%, 2028                      | 140,000    | 103,950      |
| Sprint Nextel Corp., 6%, 2016                           | 205,000    | 187,575      |
| Sprint Nextel Corp., 8.375%, 2017                       | 310,000    | 297,600      |
| Sprint Nextel Corp., 9%, 2018 (n)                       | 100,000    | 108,250      |
| Wind Acquisition Finance S.A., 11.75%, 2017 (n)         | 250,000    | 212,500      |
| Wind Acquisition Finance S.A., 7.25%, 2018 (n)          | 410,000    | 350,550      |
|   |            | \$ 2,929,766 |
| <b>Telephone Services - 0.6%</b>                        |            |              |
| Cogent Communications Group, Inc., 8.375%, 2018 (n)     | \$ 100,000 | \$ 107,250   |
| Level 3 Financing, Inc., 9.375%, 2019                   | 155,000    | 164,688      |
| Level 3 Financing, Inc., 8.625%, 2020 (n)               | 80,000     | 81,600       |
|   |            | \$ 353,538   |
| <b>Transportation - 0.2%</b>                            |            |              |
| Navios South American Logistics, Inc., 9.25%, 2019      | \$ 146,000 | \$ 134,320   |
| <b>Transportation - Services - 3.9%</b>                 |            |              |
| ACL I Corp., 10.625%, 2016 (n)(p)                       | \$ 188,684 | \$ 180,239   |
| Aguila American Resources Ltd., 7.875%, 2018 (n)        | 300,000    | 306,000      |

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*Portfolio of Investments (unaudited) continued*

| Issuer  | Shares/Par | Value (\$)           |
|---|------------|----------------------|
| <b>Bonds - continued</b>  |            |                      |
| <b>Transportation - Services - continued</b>                            |            |                      |
| Atlas Airlines, Inc. Pass-Through Certificates, B , 7.68%, 2014         | \$ 83,993  | \$ 79,794            |
| Avis Budget Car Rental LLC, 8.25%, 2019 (n)                             | 50,000     | 51,750               |
| Avis Budget Car Rental LLC, 8.25%, 2019                                 | 80,000     | 82,800               |
| Avis Budget Car Rental LLC, 9.75%, 2020                                 | 95,000     | 104,025              |
| CEVA Group PLC, 8.375%, 2017 (n)  | 290,000    | 282,025              |
| Commercial Barge Line Co., 12.5%, 2017                                  | 355,000    | 402,036              |
| Hertz Corp., 7.5%, 2018   | 62,000     | 64,558               |
| Navios Maritime Acquisition Corp., 8.625%, 2017                         | 260,000    | 244,400              |
| Navios Maritime Holdings, Inc., 8.875%, 2017                            | 125,000    | 128,125              |
| Swift Services Holdings, Inc., 10%, 2018                                | 470,000    | 505,250              |
|   |            | \$ 2,431,002         |
| <b>Utilities - Electric Power - 6.2%</b>                                |            |                      |
| AES Corp., 8%, 2017   | \$ 390,000 | \$ 432,900           |
| Atlantic Power Corp., 9%, 2018 (z)                                      | 130,000    | 131,950              |
| Calpine Corp., 8%, 2016 (n)   | 415,000    | 445,086              |
| Calpine Corp., 7.875%, 2020 (n)   | 215,000    | 227,900              |
| Covanta Holding Corp., 7.25%, 2020                                      | 220,000    | 238,817              |
| Covanta Holding Corp., 6.375%, 2022                                     | 70,000     | 72,582               |
| Dolphin Subsidiary II, Inc., 7.25%, 2021 (n)                            | 135,000    | 146,813              |
| Edison Mission Energy, 7%, 2017   | 155,000    | 82,925               |
| EDP Finance B.V., 6%, 2018 (n)  | 315,000    | 277,320              |
| Energy Future Holdings Corp., 10%, 2020                                 | 270,000    | 286,875              |
| Energy Future Holdings Corp., 10%, 2020                                 | 515,000    | 554,913              |
| Energy Future Holdings Corp., 11.75%, 2022 (n)                          | 125,000    | 127,500              |
| GenOn Energy, Inc., 9.875%, 2020  | 475,000    | 439,375              |
| NRG Energy, Inc., 7.375%, 2017  | 105,000    | 108,413              |
| NRG Energy, Inc., 8.25%, 2020   | 200,000    | 197,000              |
| Texas Competitive Electric Holdings Co. LLC, 11.5%, 2020 (n)            | 125,000    | 83,750               |
|   |            | \$ 3,854,119         |
| <b>Total Bonds (Identified Cost, \$78,208,928)</b>                      |            | <b>\$ 78,300,836</b> |
| <b>Preferred Stocks - 0.7%</b>  |            |                      |
| <b>Other Banks &amp; Diversified Financials - 0.7%</b>                  |            |                      |
| Ally Financial, Inc., 7% (z)  | 100        | \$ 85,744            |
| Ally Financial, Inc., A , 8.5%  | 8,010      | 174,618              |
| GMAC Capital Trust I, 8.125%  | 5,675      | 130,071              |
| <b>Total Preferred Stocks (Identified Cost, \$443,217)</b>              |            | <b>\$ 390,433</b>    |
| <b>Convertible Bonds - 0.4%</b>   |            |                      |
| <b>Network &amp; Telecom - 0.4%</b>                                     |            |                      |
| Nortel Networks Corp., 2.125%, 2014 (Identified Cost, \$256,638) (a)(d) | \$ 260,000 | \$ 257,400           |

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*Portfolio of Investments (unaudited) continued*

| Common Stocks - 0.3%  |              |                |                      |                      |
|---|--------------|----------------|----------------------|----------------------|
| Issuer  |              | Shares/Par     | Value (\$)           |                      |
| Automotive - 0.0%   |              |                |                      |                      |
| Accuride Corp. (a)  |              | 4,099          | \$ 24,266            |                      |
| Broadcasting - 0.1%   |              |                |                      |                      |
| New Young Broadcasting Holding Co., Inc. (a)  |              | 30             | \$ 87,750            |                      |
| Printing & Publishing - 0.1%  |              |                |                      |                      |
| American Media Operations, Inc. (a)   |              | 7,229          | \$ 40,121            |                      |
| Special Products & Services - 0.1%  |              |                |                      |                      |
| Mark IV Industries LLC, Common Units, A (a)   |              | 790            | \$ 27,650            |                      |
| <b>Total Common Stocks (Identified Cost, \$410,061)</b>   |              |                | <b>\$ 179,787</b>    |                      |
| Floating Rate Loans (g)(r) - 0.2%   |              |                |                      |                      |
| Financial Institutions - 0.1%   |              |                |                      |                      |
| Springleaf Finance Corp., Term Loan, 5.5%, 2017   |              | \$ 80,705      | \$ 74,081            |                      |
| Utilities - Electric Power - 0.1%   |              |                |                      |                      |
| Dynegy Midwest Generation LLC, Term Loan, 9.25%, 2016   |              | \$ 23,014      | \$ 23,283            |                      |
| Dynegy Power LLC, Term Loan, 9.25%, 2016  |              | 34,521         | 35,499               |                      |
|   |              |                | \$ 58,782            |                      |
| <b>Total Floating Rate Loans (Identified Cost, \$136,906)</b>                                       |              |                | <b>\$ 132,863</b>    |                      |
| Convertible Preferred Stocks - 0.2%   |              |                |                      |                      |
| Automotive - 0.2%   |              |                |                      |                      |
| General Motors Co., 4.75% (Identified Cost, \$145,500)  |              | 2,910          | \$ 106,855           |                      |
| Warrants - 0.1%   |              |                |                      |                      |
|   | Strike Price | First Exercise |                      |                      |
| Broadcasting - 0.1%   |              |                |                      |                      |
| New Young Broadcasting Holding Co., Inc. (1 share for 1 warrant)<br>(Identified Cost, \$51,567) (a) | \$ 0.01      | 12/24/24       | 27                   | \$ 78,975            |
| Money Market Funds - 4.3%   |              |                |                      |                      |
| MFS Institutional Money Market Portfolio, 0.13%,<br>at Cost and Net Asset Value (v)                 |              |                | 2,679,442            | \$ 2,679,442         |
| <b>Total Investments (Identified Cost, \$82,332,259)</b>  |              |                | <b>\$ 82,126,591</b> |                      |
| Other Assets, Less Liabilities - (32.6)%  |              |                |                      | (20,168,205)         |
| <b>Net Assets - 100.0%</b>  |              |                |                      | <b>\$ 61,958,386</b> |

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*Portfolio of Investments (unaudited) continued*

(a) Non-income producing security.

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

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

(n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in the ordinary course of business in transactions exempt from registration, normally to qualified institutional buyers. At period end, the aggregate value of these securities was \$21,663,358 representing 35.0% of net assets.

(p) Payment-in-kind security.

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

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

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

| <b>Restricted Securities</b>                                 | <b>Acquisition Date</b> | <b>Cost</b> | <b>Value</b> |
|--|-------------------------|-------------|--------------|
| Ally Financial, Inc., 7% (Preferred Stock)                   | 4/13/11-4/14/11         | \$93,750    | \$85,744     |
| American Media, Inc., 13.5%, 2018                            | 12/22/10                | 28,601      | 24,258       |
| Atlantic Power Corp., 9%, 2018                               | 10/26/11-3/02/12        | 128,694     | 131,950      |
| Avaya, Inc., 7%, 2019  | 5/24/12                 | 41,177      | 40,275       |
| Banc of America Commercial Mortgage, Inc., FRN, 6.248%, 2051 | 6/19/08                 | 329,384     | 77,864       |
| Dematic S.A., 8.75%, 2016                                    | 4/19/11                 | 202,446     | 207,000      |
| Dynacast International LLC, 9.25%, 2019                      | 7/12/11-7/15/11         | 202,361     | 206,000      |
| FGI Operating Co./FGI Finance, Inc., 7.875%, 2020            | 4/12/12                 | 20,000      | 20,550       |
| G-Force LLC, CDO, A2, 4.83%, 2036                            | 1/20/11                 | 104,232     | 102,494      |
| Heckler & Koch GmbH, 9.5%, 2018                              | 5/10/11                 | 162,813     | 98,116       |
| Heckmann Corp., 9.875%, 2018                                 | 4/04/12                 | 109,397     | 104,500      |
| IDQ Holdings, Inc., 11.5%, 2017                              | 3/20/12                 | 88,249      | 94,050       |
| LBI Media, Inc., 8.5%, 2017                                  | 7/18/07                 | 148,465     | 30,000       |
| Libbey Glass, Inc., 6.875%, 2020                             | 5/11/12                 | 80,000      | 80,200       |
| Local TV Finance LLC, 9.25%, 2015                            | 5/02/07-2/16/11         | 269,734     | 273,849      |
| NESCO LLC/NESCO Holdings Corp., 11.75%, 2017                 | 4/05/12                 | 117,843     | 121,200      |
| Physio-Control International, Inc., 9.875%, 2019             | 1/13/12-1/30/12         | 136,813     | 143,100      |
| Prestige Brands, Inc., 8.125%, 2020                          | 1/24/12                 | 20,000      | 21,600       |

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|   |                 |        |        |
|---|-----------------|--------|--------|
| Rite Aid Corp., 9.25%, 2020   | 5/03/12-5/21/12 | 94,524 | 90,963 |
| Rivers Pittsburgh Borrower LP/Rivers Pittsburgh Finance Corp., 9.5%, 2019 | 5/30/12         | 40,000 | 40,900 |



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

| <b>Restricted Securities - continued</b>                         | <b>Acquisition Date</b> | <b>Cost</b> | <b>Value</b>       |
|--|-------------------------|-------------|--------------------|
| Roofing Supply Group LLC/Roofing Supply Finance, Inc., 10%, 2020 | 5/24/12                 | \$80,000    | \$80,800           |
| Tekni-Plex, Inc., 9.75%, 2019                                    | 5/10/12                 | 39,504      | 39,700             |
| Townsquare Radio LLC, 9%, 2019                                   | 3/30/12                 | 99,017      | 102,500            |
| Truven Health Analytics, Inc., 10.625%, 2020                     | 5/24/12-5/25/12         | 49,904      | 50,250             |
| <b>Total Restricted Securities</b>                               |                         |             | <b>\$2,267,863</b> |
| % of Net assets  |                         |             | 3.7%               |

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

CDO Collateralized Debt Obligation

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

PLC Public Limited Company

REIT Real Estate Investment Trust

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

EUR Euro

**Derivative Contracts at 5/31/12****Forward Foreign Currency Exchange Contracts at 5/31/12**

| <b>Type</b>              | <b>Currency</b> | <b>Counterparty</b>      | <b>Contracts to Deliver/Receive</b> | <b>Settlement Date Range</b> | <b>In Exchange For</b> | <b>Contracts at Value</b> | <b>Net Unrealized Appreciation (Depreciation)</b> |
|--------------------------|-----------------|--------------------------|-------------------------------------|------------------------------|------------------------|---------------------------|---|
| <b>Asset Derivatives</b> |                 |                          |                                     |                              |                        |                           |   |
| SELL                     | EUR             | JPMorgan Chase Bank N.A. | 676,541                             | 7/13/12                      | \$ 884,564             | \$ 836,719                | \$ 47,845   |

See Notes to Financial Statements

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

At 5/31/12 (unaudited)

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

|   |              |
|---|--------------|
| <b>Assets</b>   |              |
| Investments-  |              |
| Non-affiliated issuers, at value (identified cost, \$79,652,817)  | \$79,447,149 |
| Underlying affiliated funds, at cost and value  | 2,679,442    |
| Total investments, at value (identified cost, \$82,332,259)   | \$82,126,591 |
| Cash  | 14           |
| Receivables for   |              |
| Forward foreign currency exchange contracts   | 47,845       |
| Investments sold  | 286,615      |
| Interest and dividends  | 1,660,829    |
| Other assets  | 16,003       |
| Total assets  | \$84,137,897 |
| <b>Liabilities</b>  |              |
| Notes payable   | \$22,000,000 |
| Payables for  |              |
| Investments purchased   | 89,904       |
| Payable to affiliates   |              |
| Investment adviser  | 13,710       |
| Transfer agent and dividend disbursing costs  | 472          |
| Payable for independent Trustees' compensation  | 1,619        |
| Accrued interest expense  | 39,831       |
| Accrued expenses and other liabilities  | 33,975       |
| Total liabilities   | \$22,179,511 |
| Net assets  | \$61,958,386 |
| <b>Net assets consist of</b>  |              |
| Paid-in capital   | \$78,944,502 |
| Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies | (158,364)    |
| Accumulated net realized gain (loss) on investments and foreign currency  | (16,591,809) |
| Accumulated distributions in excess of net investment income  | (235,943)    |
| Net assets  | \$61,958,386 |
| Shares of beneficial interest outstanding   | 20,993,341   |
| Net asset value per share (net assets of \$61,958,386 / 20,993,341 shares of beneficial interest outstanding)         | \$2.95       |

**See Notes to Financial Statements**

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

Six months ended 5/31/12 (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.

|  |             |
|--|-------------|
| <b>Net investment income</b>   |             |
| Income   |             |
| Interest   | \$3,302,455 |
| Dividends  | 27,826      |
| Dividends from underlying affiliated funds                                     | 1,241       |
| Total investment income  | \$3,331,522 |
| Expenses   |             |
| Management fee   | \$356,166   |
| Transfer agent and dividend disbursing costs                                   | 10,984      |
| Administrative services fee  | 9,683       |
| Independent Trustees' compensation   | 7,154       |
| Stock exchange fee   | 11,881      |
| Custodian fee  | 5,780       |
| Interest expense   | 120,619     |
| Shareholder communications   | 17,099      |
| Audit and tax fees   | 35,905      |
| Legal fees   | 2,400       |
| Miscellaneous  | 15,299      |
| Total expenses   | \$592,970   |
| Fees paid indirectly   | (23)        |
| Reduction of expenses by investment adviser                                    | (51,995)    |
| Net expenses   | \$540,952   |
| Net investment income  | \$2,790,570 |
| <b>Realized and unrealized gain (loss) on investments and foreign currency</b> |             |
| Realized gain (loss) (identified cost basis)                                   |             |
| Investments  | \$(735,325) |
| Foreign currency   | 31,903      |
| Net realized gain (loss) on investments and foreign currency                   | \$(703,422) |
| Change in unrealized appreciation (depreciation)                               |             |
| Investments  | \$3,533,329 |
| Translation of assets and liabilities in foreign currencies                    | 38,305      |
| Net unrealized gain (loss) on investments and foreign currency translation     | \$3,571,634 |
| Net realized and unrealized gain (loss) on investments and foreign currency    | \$2,868,212 |
| Change in net assets from operations   | \$5,658,782 |
| <b>See Notes to Financial Statements</b>                                       |             |

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

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

|   | <b>Six months ended<br/>5/31/12<br/>(unaudited)</b> | <b>Year ended<br/>11/30/11</b> |
|---|---|--------------------------------|
| <b>Change in net assets</b>   |   |                                |
| <b>From operations</b>  |   |                                |
| Net investment income   | \$2,790,570   | \$5,569,128                    |
| Net realized gain (loss) on investments and foreign currency  | (703,422)   | 586,229                        |
| Net unrealized gain (loss) on investments and foreign currency translation  | 3,571,634   | (3,567,034)                    |
| Change in net assets from operations  | \$5,658,782   | \$2,588,323                    |
| <b>Distributions declared to shareholders</b>   |   |                                |
| From net investment income  | \$(3,333,073)                                       | \$(6,390,463)                  |
| Change in net assets from fund share transactions   | \$221,552   | \$121,235                      |
| Total change in net assets  | \$2,547,261   | \$(3,680,905)                  |
| <b>Net assets</b>   |   |                                |
| At beginning of period  | 59,411,125  | 63,092,030                     |
| At end of period (including accumulated distributions in excess of net investment income of \$235,943 and undistributed net investment income of \$306,560, respectively) | \$61,958,386  | \$59,411,125                   |
| <b>See Notes to Financial Statements</b>  |   |                                |

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

Six months ended 5/31/12 (unaudited)

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

|  |               |
|--|---------------|
| <b>Cash flows from operating activities:</b>   |               |
| Net increase in net assets from operations   | \$5,658,782   |
| <b>Adjustments to reconcile change in net assets from operations to net cash provided by operating activities:</b> |               |
| Purchase of investment securities  | (20,249,035)  |
| Proceeds from disposition of investment securities   | 21,729,871    |
| Purchases of short-term investments, net   | (1,718,128)   |
| Realized gain/loss on investments  | 735,325       |
| Unrealized appreciation/depreciation on investments  | (3,533,329)   |
| Unrealized appreciation/depreciation on foreign currency contracts   | (38,578)      |
| Net amortization/accretion of income   | 63,927        |
| Decrease in dividends and interest receivable  | 117,233       |
| Decrease in accrued expenses and other liabilities   | (44,348)      |
| Increase in other assets   | (11,335)      |
| Net cash provided by operating activities  | \$2,710,385   |
| <b>Cash flows from financing activities:</b>   |               |
| Distributions paid in cash   | (3,111,521)   |
| Decrease in interest payable   | (3,442)       |
| Net cash used by financing activities  | \$(3,114,963) |
| Net decrease in cash   | \$(404,578)   |
| <b>Cash:</b>   |               |
| Beginning of period  | \$404,592     |
| End of period  | \$14          |
| Supplementary disclosure of cash flow information: cash paid during the year for interest \$124,061.               |               |

**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<br>ended<br>5/31/12 | 2011     | 2010     | Years ended 11/30<br>2009 | 2008      | 2007     |
|--|--------------------------------|----------|----------|---------------------------|-----------|----------|
|  | (unaudited)                    |          |          |                           |           |          |
| Net asset value, beginning of period   | \$2.84                         | \$3.02   | \$2.72   | \$1.72                    | \$3.47    | \$3.64   |
| <b>Income (loss) from investment operations</b>                                |                                |          |          |                           |           |          |
| Net investment income (d)  | \$0.13                         | \$0.27   | \$0.29   | \$0.28                    | \$0.33    | \$0.29   |
| Net realized and unrealized gain (loss)<br>on investments and foreign currency | 0.14                           | (0.14)   | 0.28     | 1.01                      | (1.76)    | (0.18)   |
| Total from investment operations   | \$0.27                         | \$0.13   | \$0.57   | \$1.29                    | \$(1.43)  | \$0.11   |
| <b>Less distributions declared to shareholders</b>                             |                                |          |          |                           |           |          |
| From net investment income   | \$(0.16)                       | \$(0.31) | \$(0.27) | \$(0.29)                  | \$(0.32)  | \$(0.28) |
| Net increase from repurchase of<br>capital shares                              | \$                             | \$       | \$       | \$0.00(w)                 | \$0.00(w) | \$       |
| Net asset value, end of period (x)   | \$2.95                         | \$2.84   | \$3.02   | \$2.72                    | \$1.72    | \$3.47   |
| Market value, end of period  | \$3.03                         | \$2.85   | \$3.01   | \$2.42                    | \$1.35    | \$2.97   |
| Total return at market value (%)   | 12.13(n)                       | 4.90     | 36.61    | 107.88                    | (48.49)   | (6.95)   |
| Total return at net asset value (%) (j)(r)(s)(x)                               | 9.56(n)                        | 4.19     | 21.94    | 83.39                     | (43.83)   | 3.34     |
| <b>Ratios (%) (to average net assets)<br/>and Supplemental data:</b>           |                                |          |          |                           |           |          |
| Expenses before expense reductions (f)   | 1.90(a)                        | 1.92     | 2.31     | 2.85                      | 3.55      | 3.35     |
| Expenses after expense reductions (f)  | 1.74(a)                        | 1.81     | 1.88     | 2.16                      | 2.81      | 3.24     |
| Net investment income  | 8.96(a)                        | 8.83     | 9.85     | 12.69                     | 10.80     | 7.97     |
| Portfolio turnover   | 20                             | 60       | 57       | 45                        | 62        | 90       |
| Net assets at end of period (000 omitted)                                      | \$61,958                       | \$59,411 | \$63,092 | \$56,684                  | \$35,926  | \$72,833 |

**Table of Contents***Financial Highlights continued*

|   | Six months<br>ended<br>5/31/12 | 2011     | Years ended 11/30 |          |          | 2007     |
|---|--------------------------------|----------|-------------------|----------|----------|----------|
|   |                                |          | 2010              | 2009     | 2008     |          |
| <b>(unaudited)</b>  |                                |          |                   |          |          |          |
| <b>Supplemental Ratios (%):</b>   |                                |          |                   |          |          |          |
| Ratio of expenses to average net assets<br>after expense reductions and excluding<br>interest expense (f) | 1.35(a)                        | 1.35     | 1.03              | 1.08     | 1.01     | 1.04     |
| <b>Senior Securities:</b>   |                                |          |                   |          |          |          |
| Total notes payable outstanding<br>(000 omitted)  | \$22,000                       | \$22,000 | \$22,000          | \$21,000 | \$17,000 | \$28,500 |
| Asset coverage per \$1,000 of<br>indebtedness (k)   | \$3,816                        | \$3,701  | \$3,868           | \$3,699  | \$3,113  | \$3,556  |

(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.

(k) Calculated by subtracting the fund's total liabilities (not including notes payable) from the trust's total assets and dividing this number by the notes payable outstanding and then multiplying by 1,000.

(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.

(w) Per share amount was less than \$0.01.

(x) The net asset values per share and total returns have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

**See Notes to Financial Statements**

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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 invests in high-yield securities rated below investment grade. Investments in high-yield securities involve greater degrees of credit and market risk than investments in higher-rated securities and tend to be more sensitive to economic conditions. The fund invests in foreign securities. Investments in foreign securities are vulnerable to the effects of changes in the relative values of the local currency and the U.S. dollar and to the effects of changes in each country's legal, political, and economic environment.

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

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



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*Notes to Financial Statements (unaudited) continued*

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

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

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

characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments not reflected in total investments, such as forward foreign currency exchange contracts. The following is a summary of the levels used as of May 31, 2012 in valuing the fund's assets or liabilities:

| <b>Investments at Value</b>                 | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|---|----------------|----------------|----------------|--------------|
| Equity Securities                           | \$435,810      | \$280,119      | \$40,121       | \$756,050    |
| Corporate Bonds                             |                | 66,929,903     |                | 66,929,903   |
| Commercial Mortgage-Backed Securities       |                | 189,882        |                | 189,882      |
| Asset-Backed Securities (including CDOs)    |                | 102,494        |                | 102,494      |
| Foreign Bonds                               |                | 11,335,957     |                | 11,335,957   |
| Floating Rate Loans                         |                | 132,863        |                | 132,863      |
| Mutual Funds                                | 2,679,442      |                |                | 2,679,442    |
| Total Investments                           | \$3,115,252    | \$78,971,218   | \$40,121       | \$82,126,591 |
| <b>Other Financial Instruments</b>          |                |                |                |              |
| Forward Foreign Currency Exchange Contracts | \$             | \$47,845       | \$             | \$47,845     |

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

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

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

|  | <b>Equity<br/>Securities</b> |
|--|------------------------------|
| Balance as of 11/30/11                           | \$85,953                     |
| Change in unrealized appreciation (depreciation) | (45,832)                     |
| Balance as of 5/31/12                            | \$40,121                     |

The net change in unrealized appreciation (depreciation) from investments still held as level 3 at May 31, 2012 is \$(45,832).

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

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

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

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

| Risk             | Derivative Contracts              | Fair Value<br>Asset Derivatives |
|------------------|-----------------------------------|---------------------------------|
| Foreign Exchange | Forward Foreign Currency Exchange | \$47,845                        |

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, 2012 as reported in the Statement of Operations:

| Risk             | Foreign<br>Currency | Investments<br>(Purchased<br>Options) |
|------------------|---------------------|---------------------------------------|
| Foreign Exchange | \$33,404            | \$                                    |
| Equity           |                     | (31,079)                              |
| Total            | \$33,404            | \$(31,079)                            |

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, 2012 as reported in the Statement of Operations:

| Risk             | Translation<br>of Assets<br>and<br>Liabilities in<br>Foreign<br>Currencies |
|------------------|--|
| Foreign Exchange | \$38,578   |

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

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*Notes to Financial Statements (unaudited) continued*

offset of reported amounts of assets and liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty.

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

**Purchased Options** The fund purchased put options for a premium. Purchased put options entitle the holder to sell a specified number of shares or units of a particular security, currency or index at a specified price at a specified date or within a specified period of time. Purchasing put options may hedge against a decline in the value of portfolio securities or currency.

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

The risk in purchasing an option is that the fund pays a premium whether or not the option is exercised. The fund's maximum risk of loss due to counterparty credit risk is limited to the market value of the option. For over-the-counter options, this risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and for posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

**Forward Foreign Currency Exchange Contracts** The fund entered into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. These contracts may be used to hedge the fund's currency risk or for non-hedging purposes. For

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*Notes to Financial Statements (unaudited) continued*

hedging purposes, the fund may enter into contracts to deliver or receive foreign currency that the fund will receive from or use in its normal investment activities. The fund may also use contracts to hedge against declines in the value of foreign currency denominated securities due to unfavorable exchange rate movements. For non-hedging purposes, the fund may enter into contracts with the intent of changing the relative exposure of the fund's portfolio of securities to different currencies to take advantage of anticipated exchange rate changes.

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

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

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

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

**Indemnifications** Under the fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum

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*Notes to Financial Statements (unaudited) continued*

exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

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

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

**Fees Paid Indirectly** The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. This amount, for the six months ended May 31, 2012, 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, when filed, will remain subject to examination by the Internal Revenue Service for a three year period. Foreign taxes 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

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*Notes to Financial Statements (unaudited) continued*

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.

During the year ended November 30, 2011, there were no significant adjustments due to differences between book and tax accounting.

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:

|  |                 |
|--|-----------------|
|  | <b>11/30/11</b> |
| Ordinary income (including any short-term capital gains) | \$6,390,463     |

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

|  |               |
|--|---------------|
| <b>As of 5/31/12</b>                       |               |
| Cost of investments                        | \$82,547,193  |
| Gross appreciation                         | 2,903,123     |
| Gross depreciation                         | (3,323,725)   |
| Net unrealized appreciation (depreciation) | \$(420,602)   |
| <b>As of 11/30/11</b>                      |               |
| Undistributed ordinary income              | 386,910       |
| Capital loss carryforwards                 | (15,561,383)  |
| Post-October capital loss deferral         | (265,514)     |
| Other temporary differences                | (71,351)      |
| Net unrealized appreciation (depreciation) | \$(3,800,487) |

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

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



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As of November 30, 2011, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

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

**(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, 2012 was equivalent to an annual effective rate of 1.14% of the fund's average daily net assets.

The investment adviser has agreed in writing to pay a portion of the fund's total annual operating expenses, exclusive of interest, taxes, extraordinary expenses, brokerage and transaction costs and investment-related expenses, such that the total annual fund operating expenses do not exceed 1.34% annually of the fund's average daily net assets. This written agreement will continue until modified by the fund's Board of Trustees, but such agreement will continue at least until November 30, 2013. For the six months ended May 31, 2012, this reduction amounted to \$51,861 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, 2012, these fees paid to MFSC amounted to \$2,869.

**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.

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*Notes to Financial Statements (unaudited) continued*

The administrative services fee incurred for the six months ended May 31, 2012 was equivalent to an annual effective rate of 0.0311% of the fund's average daily net assets.

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

**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 \$1,583 of deferred Trustees compensation. There is no current year expense associated with the Former Colonial Trustees Plan.

**Other** This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The ICCO and Assistant ICCO are officers of the funds and the sole members of Tarantino LLC and Griffin Compliance LLC, respectively. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. For the six months ended May 31, 2012, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were \$393 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 \$134, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO and Assistant ICCO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks a high level of current income consistent with preservation of capital and liquidity. Income earned on this investment is

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included in Dividends from underlying affiliated 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 \$16,270,854 and \$17,441,749, 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, 2012 and the year ended November 31, 2011, the fund did not repurchase any shares. Transactions in fund shares were as follows:

|  | Six months ended<br>5/31/12 |           | Year ended<br>11/30/11 |           |
|--|-----------------------------|-----------|------------------------|-----------|
|  | Shares                      | Amount    | Shares                 | Amount    |
| Shares issued to shareholders in reinvestment of distributions | 74,587                      | \$221,552 | 41,921                 | \$121,235 |

**(6) Loan Agreement**

The fund has a credit agreement with a bank for a revolving secured line of credit that can be drawn upon up to \$30,000,000. This credit agreement matured on January 13, 2012. The Trustees approved the renewal of the revolving secured line of credit up to the amount of \$30,000,000 on substantially similar terms for an additional 365 day period which matures on January 11, 2013. At May 31, 2012, the fund had outstanding borrowings under this agreement in the amount of \$22,000,000, which are secured by a lien on the fund's assets. The loan's carrying value on the fund's Statement of Assets and Liabilities approximates its fair value. The loan value as of the reporting date is considered Level 2 under the fair value hierarchy. Borrowing under this agreement can be made for liquidity or leverage purposes. Interest is charged at a rate per annum equal to LIBOR plus an agreed upon spread or an alternate rate, at the option of the borrower, stated as the greater of Overnight LIBOR or the Federal Funds Rate each plus an agreed upon spread. The fund incurred interest expense in the amount of \$120,619 during the period in connection with this loan agreement. The fund also incurred a commitment fee of \$4,003 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, 2012, the average loan balance was \$22,000,000 at a weighted average annual interest rate of 1.10%. The fund is subject to certain covenants including, but not limited to, requirements with respect to asset coverage, portfolio diversification and liquidity.

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*Notes to Financial Statements (unaudited) continued*

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

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

| <b>Underlying Affiliated Fund</b> | <b>Beginning<br/>Shares/Par<br/>Amount</b> | <b>Acquisitions<br/>Shares/Par<br/>Amount</b> | <b>Dispositions<br/>Shares/Par<br/>Amount</b> | <b>Ending<br/>Shares/Par<br/>Amount</b> |
|-----------------------------------|--|---|---|---|
| MFS Institutional Money           |  |   |   |   |
| Market Portfolio                  | 961,314                                    | 11,742,789                                    | (10,024,661)                                  | 2,679,442                               |
| <b>Underlying Affiliated Fund</b> | <b>Realized<br/>Gain (Loss)</b>            | <b>Capital Gain<br/>Distributions</b>         | <b>Dividend<br/>Income</b>                    | <b>Ending<br/>Value</b>                 |
| MFS Institutional Money           |  |   |   |   |
| Market Portfolio                  | \$   | \$  | \$1,241                                       | \$2,679,442                             |

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of 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, 2012, and the related statements of operations and cash flows, changes in net assets, and financial highlights for the six-month period ended May 31, 2012. 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 (United States), 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, 2011, and the financial highlights for each of the five years in the period ended November 30, 2011, and in our report dated January 13, 2012, we expressed an unqualified opinion on such statement of changes in net assets and financial highlights.

Boston, Massachusetts

July 17, 2012

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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, 2011 is available without charge by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at <http://www.sec.gov>.

### **QUARTERLY PORTFOLIO DISCLOSURE**

The fund will file a complete schedule of portfolio holdings with the Securities

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

Public Reference Room

Securities and Exchange Commission

100 F Street, NE, Room 1580

Washington, D.C. 20549

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

### **FURTHER INFORMATION**

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

New York Stock Exchange Symbol: **CIF**

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**ITEM 2. CODE OF ETHICS.**

During the period covered by this report, the Registrant has not amended any provision in its Code of Ethics (the Code ) that relates to an element of the Code s definitions enumerated in paragraph (b) of Item 2 of this Form N-CSR. During the period covered by this report, the Registrant did not grant a waiver, including an implicit waiver, from any provision of the Code.

**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**

| <b>Period</b>     | <b>(a) Total number of Shares Purchased</b> | <b>(b) Average Price Paid per Share</b> | <b>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b> | <b>(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs</b> |
|-------------------|---|---|---|---|
| 12/01/11-12/31/11 | 0   | N/A                                     | 0   | 2,087,683   |
| 1/01/12-1/31/12   | 0   | N/A                                     | 0   | 2,087,683   |
| 2/01/12-2/28/12   | 0   | N/A                                     | 0   | 2,087,683   |
| 3/01/12-3/31/12   | 0   | N/A                                     | 0   | 2,095,336   |
| 4/01/12-4/30/12   | 0   | N/A                                     | 0   | 2,095,336   |
| 5/01/12-5/31/12   | 0   | N/A                                     | 0   | 2,095,336   |
| <b>Total</b>      | <b>0</b>                                    |   | <b>0</b>  |   |

Note: The Board of Trustees approves procedures to repurchase shares annually. The notification to shareholders of the program is part of the semi-annual and annual reports sent to shareholders. These annual programs begin on March 1<sup>st</sup> of each year. The programs conform to the conditions of Rule 10b-18 of the securities Exchange Act of 1934 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, 2012 plan year is 2,095,336.

**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(a) 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)\* JOHN M. CORCORAN  
John M. Corcoran, President

Date: July 17, 2012

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

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

(Principal Executive Officer)

Date: July 17, 2012

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

Date: July 17, 2012

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