

MFS INTERMEDIATE HIGH INCOME FUND

Form N-CSRS

August 05, 2014

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-5567

MFS INTERMEDIATE HIGH INCOME FUND

(Exact name of registrant as specified in charter)

111 Huntington Avenue, Boston, Massachusetts 02199

(Address of principal executive offices) (Zip code)

Susan S. Newton

Massachusetts Financial Services Company

111 Huntington Avenue

Boston, Massachusetts 02199

(Name and address of agents for service)

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

Date of fiscal year end: November 30

Date of reporting period: May 31, 2014

Table of Contents

ITEM 1. REPORTS TO STOCKHOLDERS.

Table of Contents

SEMIANNUAL REPORT

May 31, 2014

MFS® INTERMEDIATE HIGH INCOME FUND

CIH-SEM

Table of Contents

MFS® INTERMEDIATE HIGH INCOME FUND

New York Stock Exchange Symbol: **CIF**

| | |
|--|----|
| <u>Letter from the Chairman and CEO</u> | 1 |
| <u>Portfolio composition</u> | 2 |
| <u>Portfolio managers profiles</u> | 4 |
| <u>Other notes</u> | 4 |
| <u>Portfolio of investments</u> | 5 |
| <u>Statement of assets and liabilities</u> | 22 |
| <u>Statement of operations</u> | 23 |
| <u>Statements of changes in net assets</u> | 24 |
| <u>Statement of cash flows</u> | 25 |
| <u>Financial highlights</u> | 26 |
| <u>Notes to financial statements</u> | 28 |
| <u>Report of independent registered public accounting firm</u> | 41 |
| <u>Proxy voting policies and information</u> | 42 |
| <u>Quarterly portfolio disclosure</u> | 42 |
| <u>Further information</u> | 42 |
| <u>Contact information</u> back cover | |

NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

Table of Contents

LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholders:

After gaining momentum late last year, U.S. economic output contracted this winter, as severe weather curtailed activity. More recently, various indicators show that the

U.S. economy could be regaining traction.

Although Europe emerged from its recession almost a year ago, its pace of growth has been slow, and high unemployment persists, along with the risk of deflation. Asia remains vulnerable. China's economic growth has slowed, and Japan's early progress toward an economic turnaround continues to face obstacles, including the recent sales tax increase. Emerging markets have been more turbulent.

With so much uncertainty, global financial markets began 2014 with much greater volatility than last year's broad-based rally.

For equity investors, paying attention to company fundamentals has become more important. Bond investors have been attuned to heightened risks from possible interest rate increases.

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

We understand that these are challenging economic times. We believe that we can serve you best by applying proven principles, such as asset allocation and diversification, over the long term. We are confident that this approach can serve you well as you work with your financial advisors to reach your goals in the years ahead.

Respectfully,

Robert J. Manning

Chairman and Chief Executive Officer

MFS Investment Management

July 16, 2014

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

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

| | |
|--|-------|
| Energy Independent | 11.4% |
| Medical & Health Technology & Services | 6.5% |
| Broadcasting | 6.4% |
| Telecommunications Wireless | 5.7% |
| Cable TV | 5.4% |

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

| | |
|------------------|---------|
| BBB | 3.0% |
| BB | 46.3% |
| B | 61.0% |
| CCC | 17.8% |
| C | 0.1% |
| Not Rated | 1.3% |
| Non-Fixed Income | 0.8% |
| Cash & Other | (30.3)% |

Portfolio facts (i)

| | |
|--------------------------------|----------|
| Average Duration (d) | 5.6 |
| Average Effective Maturity (m) | 6.9 yrs. |

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

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

Table of Contents

Portfolio Composition continued

- (i) For purposes of this presentation, the components include the market value of securities, and reflect the impact of the equivalent exposure of derivative positions, if any. These amounts may be negative from time to time. Equivalent exposure is a calculated amount that translates the derivative position into a reasonable approximation of the amount of the underlying asset that the portfolio would have to hold at a given point in time to have the same price sensitivity that results from the portfolio's ownership of the derivative contract. When dealing with derivatives, equivalent exposure is a more representative measure of the potential impact of a position on portfolio performance than market value. The bond component will include any accrued interest amounts.
 - (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 may be negative due to borrowings for leverage transactions, timing of cash receipts, and/or equivalent exposure from any derivative holdings.

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

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

Percentages are based on net assets as of 5/31/14.

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

Table of Contents

PORTFOLIO MANAGERS PROFILES

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

OTHER NOTES

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

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**

5/31/14 (unaudited)

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

| Bonds - 123.3% | | |
|--|-------------------|-------------------|
| Issuer | Shares/Par | Value (\$) |
| Aerospace - 3.9% | | |
| Alliant Techsystems, Inc., 5.25%, 10/01/21 (n) | \$ 62,000 | \$ 64,635 |
| Bombardier, Inc., 7.5%, 3/15/18 (n) | 235,000 | 266,138 |
| Bombardier, Inc., 7.75%, 3/15/20 (n) | 135,000 | 152,550 |
| Bombardier, Inc., 6.125%, 1/15/23 (n) | 310,000 | 316,975 |
| CPI International, Inc., 8.75%, 2/15/18 | 300,000 | 312,000 |
| Gencorp, Inc., 7.125%, 3/15/21 | 325,000 | 353,438 |
| Huntington Ingalls Industries, Inc., 7.125%, 3/15/21 | 405,000 | 442,463 |
| Kratos Defense & Security Solutions, Inc., 10%, 6/01/17 | 555,000 | 584,831 |
| TransDigm, Inc., 6%, 7/15/22 (z) | 25,000 | 25,188 |
| TransDigm, Inc., 6.5%, 7/15/24 (z) | 100,000 | 101,500 |
| | | \$ 2,619,718 |
| Apparel Manufacturers - 0.6% | | |
| Hanesbrands, Inc., 6.375%, 12/15/20 | \$ 225,000 | \$ 243,844 |
| PVH Corp., 4.5%, 12/15/22 | 145,000 | 142,825 |
| | | \$ 386,669 |
| Asset-Backed & Securitized - 0.6% | | |
| Banc of America Commercial Mortgage, Inc., FRN, 6.273%, 2/10/51 (z) | \$ 450,000 | \$ 239,093 |
| Citigroup Commercial Mortgage Trust, FRN, 5.709%, 12/10/49 | 275,000 | 43,137 |
| G-Force LLC, CDO, A2, 4.83%, 8/22/36 (z) | 1,858 | 1,901 |
| JPMorgan Chase Commercial Mortgage Securities Corp., C, FRN, 6.006%, 2/15/51 | 155,000 | 91,422 |
| | | \$ 375,553 |
| Automotive - 3.5% | | |
| Accuride Corp., 9.5%, 8/01/18 | \$ 425,000 | \$ 448,906 |
| Allison Transmission, Inc., 7.125%, 5/15/19 (n) | 585,000 | 627,413 |
| Goodyear Tire & Rubber Co., 6.5%, 3/01/21 | 385,000 | 419,650 |
| Goodyear Tire & Rubber Co., 7%, 5/15/22 | 85,000 | 94,775 |
| Jaguar Land Rover PLC, 8.125%, 5/15/21 (n) | 345,000 | 389,419 |
| Jaguar Land Rover PLC, 5.625%, 2/01/23 (n) | 150,000 | 157,500 |
| Lear Corp., 8.125%, 3/15/20 | 133,000 | 144,638 |
| Lear Corp., 4.75%, 1/15/23 | 110,000 | 109,725 |
| | | \$ 2,392,026 |
| Broadcasting - 6.3% | | |
| AMC Networks, Inc., 7.75%, 7/15/21 | \$ 351,000 | \$ 392,243 |
| Clear Channel Communications, Inc., 9%, 3/01/21 | 208,000 | 222,040 |

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

| Issuer | Shares/Par | Value (\$) |
|---|------------|--------------|
| Bonds - continued | | |
| Broadcasting - continued | | |
| Clear Channel Worldwide Holdings, Inc., A , 7.625%, 3/15/20 | \$ 10,000 | \$ 10,700 |
| Clear Channel Worldwide Holdings, Inc., A , 6.5%, 11/15/22 | 45,000 | 47,869 |
| Clear Channel Worldwide Holdings, Inc., B , 7.625%, 3/15/20 | 185,000 | 198,875 |
| Clear Channel Worldwide Holdings, Inc., B , 6.5%, 11/15/22 | 205,000 | 219,350 |
| IAC/InterActive Corp., 4.875%, 11/30/18 | 45,000 | 47,138 |
| IAC/InterActive Corp., 4.75%, 12/15/22 | 165,000 | 162,113 |
| Inmarsat Finance PLC, 7.375%, 12/01/17 (n) | 165,000 | 171,749 |
| Intelsat Jackson Holdings S.A., 6.625%, 12/15/22 (n) | 52,000 | 54,210 |
| Intelsat Jackson Holdings S.A., 6.625%, 12/15/22 | 330,000 | 344,025 |
| Intelsat Jackson Holdings S.A., 5.5%, 8/01/23 (n) | 234,000 | 232,830 |
| Intelsat Luxembourg S.A., 8.125%, 6/01/23 | 365,000 | 392,375 |
| Liberty Media Corp., 8.5%, 7/15/29 | 250,000 | 279,375 |
| Liberty Media Corp., 8.25%, 2/01/30 | 10,000 | 11,050 |
| Netflix, Inc., 5.375%, 2/01/21 | 250,000 | 260,625 |
| Nexstar Broadcasting, Inc., 6.875%, 11/15/20 | 260,000 | 277,550 |
| SIRIUS XM Radio, Inc., 4.25%, 5/15/20 (n) | 70,000 | 68,950 |
| SIRIUS XM Radio, Inc., 5.875%, 10/01/20 (n) | 30,000 | 31,800 |
| SIRIUS XM Radio, Inc., 4.625%, 5/15/23 (n) | 125,000 | 119,063 |
| SIRIUS XM Radio, Inc., 6%, 7/15/24 (z) | 135,000 | 138,713 |
| Univision Communications, Inc., 6.875%, 5/15/19 (n) | 280,000 | 299,600 |
| Univision Communications, Inc., 7.875%, 11/01/20 (n) | 195,000 | 214,744 |
| Univision Communications, Inc., 8.5%, 5/15/21 (n) | 80,000 | 87,800 |
| | | \$ 4,284,787 |
| Brokerage & Asset Managers - 0.8% | | |
| E*TRADE Financial Corp., 6.375%, 11/15/19 | \$ 485,000 | \$ 526,831 |
| Building - 4.3% | | |
| Allegion U.S. Holding Co., Inc., 5.75%, 10/01/21 (n) | \$ 220,000 | \$ 232,650 |
| Building Materials Holding Corp., 6.875%, 8/15/18 (n) | 185,000 | 192,516 |
| Building Materials Holding Corp., 7%, 2/15/20 (n) | 115,000 | 122,475 |
| Building Materials Holding Corp., 6.75%, 5/01/21 (n) | 160,000 | 172,800 |
| CEMEX Espana S.A., 9.25%, 5/12/20 (n) | 205,000 | 224,475 |
| CEMEX S.A.B. de C.V., 9.25%, 5/12/20 | 170,000 | 186,150 |
| Gibraltar Industries, Inc., 6.25%, 2/01/21 | 140,000 | 147,350 |
| HD Supply, Inc., 8.125%, 4/15/19 | 125,000 | 137,813 |
| HD Supply, Inc., 7.5%, 7/15/20 | 390,000 | 423,150 |
| Headwaters, Inc., 7.25%, 1/15/19 (n) | 90,000 | 95,400 |
| Headwaters, Inc., 7.625%, 4/01/19 | 60,000 | 64,500 |
| Nortek, Inc., 8.5%, 4/15/21 | 290,000 | 319,725 |
| Roofing Supply Group LLC/Roofing Supply Finance, Inc., 10%, 6/01/20 (n) | 222,000 | 236,985 |
| USG Corp., 6.3%, 11/15/16 | 179,000 | 193,320 |

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

| Issuer | Shares/Par | Value (\$) |
|---|-------------|--------------|
| Bonds - continued | | |
| Building - continued | | |
| USG Corp., 7.875%, 3/30/20 (n) | \$ 110,000 | \$ 122,100 |
| USG Corp., 5.875%, 11/01/21 (n) | 60,000 | 63,600 |
| | | \$ 2,935,009 |
| Business Services - 1.9% | | |
| Equinix, Inc., 4.875%, 4/01/20 | \$ 190,000 | \$ 195,225 |
| Equinix, Inc., 5.375%, 4/01/23 | 110,000 | 112,200 |
| Fidelity National Information Services, Inc., 5%, 3/15/22 | 170,000 | 178,934 |
| First Data Corp., 10.625%, 6/15/21 | 80,000 | 91,700 |
| Iron Mountain, Inc., 8.375%, 8/15/21 | 187,000 | 196,810 |
| Iron Mountain, Inc., 6%, 8/15/23 | 170,000 | 180,625 |
| Lender Processing Services, Inc., 5.75%, 4/15/23 | 70,000 | 75,338 |
| NeuStar, Inc., 4.5%, 1/15/23 | 260,000 | 234,000 |
| | | \$ 1,264,832 |
| Cable TV - 5.3% | | |
| CCO Holdings LLC/CCO Holdings Capital Corp., 8.125%, 4/30/20 | \$ 445,000 | \$ 485,050 |
| CCO Holdings LLC/CCO Holdings Capital Corp., 7.375%, 6/01/20 | 75,000 | 82,125 |
| CCO Holdings LLC/CCO Holdings Capital Corp., 6.5%, 4/30/21 | 350,000 | 373,625 |
| CCO Holdings LLC/CCO Holdings Capital Corp., 5.75%, 1/15/24 | 220,000 | 226,325 |
| Cequel Communications Holdings, 6.375%, 9/15/20 (n) | 235,000 | 249,100 |
| DISH DBS Corp., 7.875%, 9/01/19 | 70,000 | 83,300 |
| DISH DBS Corp., 6.75%, 6/01/21 | 175,000 | 197,969 |
| DISH DBS Corp., 5%, 3/15/23 | 190,000 | 193,325 |
| Lynx I Corp., 5.375%, 4/15/21 (n) | 200,000 | 205,750 |
| Numericable Group S.A., 6%, 5/15/22 (n) | 480,000 | 498,000 |
| ONO Finance II PLC, 10.875%, 7/15/19 (n) | 150,000 | 165,560 |
| Telenet Finance Luxembourg, 6.375%, 11/15/20 (n) | EUR 200,000 | 290,351 |
| UPCB Finance III Ltd., 6.625%, 7/01/20 (n) | \$ 354,000 | 376,125 |
| Ziggo Bond Co. B.V., 8%, 5/15/18 (n) | EUR 135,000 | 201,508 |
| | | \$ 3,628,113 |
| Chemicals - 4.1% | | |
| Celanese U.S. Holdings LLC, 5.875%, 6/15/21 | \$ 252,000 | \$ 278,145 |
| Celanese U.S. Holdings LLC, 4.625%, 11/15/22 | 90,000 | 90,563 |
| Flash Dutch 2 B.V./U.S. Coatings Acquisition, 7.375%, 5/01/21 (n) | 300,000 | 328,500 |
| Hexion U.S. Finance Corp., 6.625%, 4/15/20 | 110,000 | 115,775 |
| Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, 8.875%, 2/01/18 | 245,000 | 255,413 |
| Huntsman International LLC, 8.625%, 3/15/21 | 375,000 | 418,125 |
| INEOS Finance PLC, 8.375%, 2/15/19 (n) | 400,000 | 439,000 |
| INEOS Group Holdings S.A., 6.125%, 8/15/18 (n) | 200,000 | 207,000 |
| Taminco Global Chemical Corp., 9.75%, 3/31/20 (n) | 275,000 | 308,688 |

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

| Issuer | Shares/Par | Value (\$) |
|---|------------|--------------|
| Bonds - continued | | |
| Chemicals - continued | | |
| Tronox Finance LLC, 6.375%, 8/15/20 | \$ 340,000 | \$ 352,750 |
| | | \$ 2,793,959 |
| Computer Software - 0.8% | | |
| Syniverse Holdings, Inc., 9.125%, 1/15/19 | \$ 275,000 | \$ 297,000 |
| VeriSign, Inc., 4.625%, 5/01/23 | 220,000 | 215,050 |
| | | \$ 512,050 |
| Computer Software - Systems - 1.0% | | |
| Audatex North America, Inc., 6%, 6/15/21 (n) | \$ 290,000 | \$ 308,850 |
| Audatex North America, Inc., 6.125%, 11/01/23 (n) | 50,000 | 53,563 |
| CDW LLC/CDW Finance Corp., 8.5%, 4/01/19 | 300,000 | 326,625 |
| | | \$ 689,038 |
| Conglomerates - 2.8% | | |
| Amsted Industries Co., 5%, 3/15/22 (n) | \$ 330,000 | \$ 330,825 |
| BC Mountain LLC, 7%, 2/01/21 (n) | 220,000 | 206,250 |
| Dynacast International LLC, 9.25%, 7/15/19 | 200,000 | 221,000 |
| Entegris, Inc., 6%, 4/01/22 (n) | 245,000 | 246,225 |
| Renaissance Acquisition, 6.875%, 8/15/21 (n) | 350,000 | 364,875 |
| Rexel S.A., 6.125%, 12/15/19 (n) | 200,000 | 214,000 |
| Silver II Borrower, 7.75%, 12/15/20 (n) | 300,000 | 323,250 |
| | | \$ 1,906,425 |
| Construction - 0.2% | | |
| Empresas ICA S.A.B. de C.V., 8.9%, 2/04/21 | \$ 135,000 | \$ 140,400 |
| Consumer Products - 1.1% | | |
| Elizabeth Arden, Inc., 7.375%, 3/15/21 | \$ 280,000 | \$ 295,750 |
| Prestige Brands, Inc., 8.125%, 2/01/20 | 79,000 | 88,085 |
| Prestige Brands, Inc., 5.375%, 12/15/21 (n) | 200,000 | 204,750 |
| Spectrum Brands, Inc., 6.375%, 11/15/20 | 165,000 | 178,819 |
| | | \$ 767,404 |
| Consumer Services - 2.0% | | |
| ADT Corp., 6.25%, 10/15/21 | \$ 265,000 | \$ 278,913 |
| ADT Corp., 4.125%, 6/15/23 | 85,000 | 79,475 |
| Garda World Security Corp., 7.25%, 11/15/21 (z) | 55,000 | 57,819 |
| Garda World Security Corp., 7.25%, 11/15/21 (z) | 180,000 | 189,225 |
| Grupo Posadas S.A.B. de C.V., 7.875%, 11/30/17 | 150,000 | 154,875 |
| Monitronics International, Inc., 9.125%, 4/01/20 | 220,000 | 234,300 |
| Service Corp. International, 7%, 6/15/17 | 325,000 | 365,235 |
| | | \$ 1,359,842 |

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

| Issuer | Shares/Par | Value (\$) |
|--|------------|--------------|
| Bonds - continued | | |
| Containers - 5.0% | | |
| Ardagh Packaging Finance PLC, 7.375%, 10/15/17 (n) | \$ 200,000 | \$ 210,500 |
| Ardagh Packaging Finance PLC, 9.125%, 10/15/20 (n) | 200,000 | 221,500 |
| Ardagh Packaging Finance PLC, 9.125%, 10/15/20 (n) | 400,000 | 441,000 |
| Ball Corp., 5%, 3/15/22 | 134,000 | 138,355 |
| Ball Corp., 4%, 11/15/23 | 15,000 | 14,175 |
| Berry Plastics Group, Inc., 9.75%, 1/15/21 | 100,000 | 115,250 |
| Berry Plastics Group, Inc., 5.5%, 5/15/22 | 175,000 | 175,438 |
| Crown American LLC, 4.5%, 1/15/23 | 620,000 | 602,950 |
| Greif, Inc., 6.75%, 2/01/17 | 170,000 | 189,763 |
| Reynolds Group, 7.125%, 4/15/19 | 225,000 | 236,250 |
| Reynolds Group, 9.875%, 8/15/19 | 100,000 | 110,125 |
| Reynolds Group, 5.75%, 10/15/20 | 130,000 | 135,200 |
| Reynolds Group, 8.25%, 2/15/21 | 510,000 | 542,513 |
| Signode Industrial Group, 6.375%, 5/01/22 (z) | 230,000 | 232,300 |
| | | \$ 3,365,319 |
| Defense Electronics - 0.6% | | |
| Ducommun, Inc., 9.75%, 7/15/18 | \$ 361,000 | \$ 403,418 |
| Electrical Equipment - 0.2% | | |
| CommScope Holding Company, Inc., 5%, 6/15/21 (z) | \$ 105,000 | \$ 105,525 |
| Electronics - 2.0% | | |
| Advanced Micro Devices, Inc., 6.75%, 3/01/19 (n) | \$ 255,000 | \$ 269,025 |
| Advanced Micro Devices, Inc., 7.5%, 8/15/22 | 70,000 | 73,675 |
| Micron Technology, Inc., 5.875%, 2/15/22 (n) | 70,000 | 74,725 |
| Nokia Corp., 5.375%, 5/15/19 | 65,000 | 69,713 |
| Nokia Corp., 6.625%, 5/15/39 | 65,000 | 70,525 |
| NXP B.V., 5.75%, 2/15/21 (n) | 200,000 | 213,750 |
| NXP B.V., 5.75%, 3/15/23 (n) | 245,000 | 261,538 |
| Sensata Technologies B.V., 6.5%, 5/15/19 (n) | 305,000 | 326,350 |
| | | \$ 1,359,301 |
| Energy - Independent - 11.1% | | |
| Antero Resources Finance Corp., 6%, 12/01/20 | \$ 135,000 | \$ 144,281 |
| Antero Resources Finance Corp., 5.375%, 11/01/21 | 225,000 | 234,281 |
| Athlon Holdings LP/Athlon Finance Corp., 6%, 5/01/22 (z) | 250,000 | 255,625 |
| Baytex Energy Corp., 5.125%, 6/01/21 (z) | 35,000 | 35,438 |
| Baytex Energy Corp., 5.625%, 6/01/24 (z) | 120,000 | 120,750 |
| Bill Barrett Corp., 7%, 10/15/22 | 270,000 | 284,850 |
| BreitBurn Energy Partners LP, 8.625%, 10/15/20 | 85,000 | 92,863 |
| BreitBurn Energy Partners LP, 7.875%, 4/15/22 | 360,000 | 387,000 |
| Chaparral Energy, Inc., 7.625%, 11/15/22 | 255,000 | 271,575 |

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

| Issuer | Shares/Par | Value (\$) |
|---|------------|--------------|
| Bonds - continued | | |
| Energy - Independent - continued | | |
| Chesapeake Energy Corp., 5.75%, 3/15/23 | \$ 65,000 | \$ 72,475 |
| Cimarex Energy Co., 5.875%, 5/01/22 | 60,000 | 66,450 |
| Cimarex Energy Co., 4.375%, 6/01/24 | 110,000 | 111,925 |
| Concho Resources, Inc., 6.5%, 1/15/22 | 280,000 | 310,100 |
| Concho Resources, Inc., 5.5%, 4/01/23 | 250,000 | 267,500 |
| Denbury Resources, Inc., 4.625%, 7/15/23 | 200,000 | 192,500 |
| Energy XXI Gulf Coast, Inc., 9.25%, 12/15/17 | 121,000 | 130,226 |
| EP Energy LLC, 6.875%, 5/01/19 | 75,000 | 80,250 |
| EP Energy LLC, 9.375%, 5/01/20 | 285,000 | 327,394 |
| EP Energy LLC, 7.75%, 9/01/22 | 475,000 | 532,594 |
| EPL Oil & Gas, Inc., 8.25%, 2/15/18 | 270,000 | 290,250 |
| Halcon Resources Corp., 8.875%, 5/15/21 | 280,000 | 298,200 |
| Harvest Operations Corp., 6.875%, 10/01/17 | 320,000 | 346,800 |
| Hilcorp Energy I/Hilcorp Finance Co., 8%, 2/15/20 (n) | 105,000 | 112,613 |
| Laredo Petroleum, Inc., 9.5%, 2/15/19 | 65,000 | 71,500 |
| Laredo Petroleum, Inc., 5.625%, 1/15/22 | 80,000 | 82,000 |
| Laredo Petroleum, Inc., 7.375%, 5/01/22 | 60,000 | 66,450 |
| LINN Energy LLC, 8.625%, 4/15/20 | 40,000 | 43,350 |
| LINN Energy LLC, 7.75%, 2/01/21 | 194,000 | 209,278 |
| MEG Energy Corp., 6.5%, 3/15/21 (n) | 105,000 | 111,169 |
| MEG Energy Corp., 7%, 3/31/24 (n) | 140,000 | 151,200 |
| Northern Blizzard Resources, Inc., 7.25%, 2/01/22 (n) | 285,000 | 294,263 |
| Oasis Petroleum, Inc., 6.875%, 3/15/22 (n) | 295,000 | 320,813 |
| Range Resources Corp., 5%, 8/15/22 | 320,000 | 336,000 |
| Rice Energy, Inc., 6.25%, 5/01/22 (z) | 165,000 | 166,444 |
| Samson Investment Co., 10.75%, 2/15/20 (n) | 30,000 | 31,350 |
| SandRidge Energy, Inc., 8.125%, 10/15/22 | 400,000 | 434,000 |
| SM Energy Co., 6.5%, 11/15/21 | 240,000 | 259,800 |
| | | \$ 7,543,557 |
| Entertainment - 1.9% | | |
| Activision Blizzard, Inc., 6.125%, 9/15/23 (n) | \$ 135,000 | \$ 148,838 |
| Cedar Fair LP, 9.125%, 8/01/18 | 115,000 | 121,469 |
| Cedar Fair LP, 5.25%, 3/15/21 | 260,000 | 266,500 |
| Cedar Fair LP, 5.375%, 6/01/24 (n) | 95,000 | 95,831 |
| Cinemark USA, Inc., 5.125%, 12/15/22 | 165,000 | 167,269 |
| Cinemark USA, Inc., 4.875%, 6/01/23 | 190,000 | 187,150 |
| Six Flags Entertainment Corp., 5.25%, 1/15/21 (n) | 320,000 | 326,400 |
| | | \$ 1,313,457 |
| Financial Institutions - 6.3% | | |
| Aircastle Ltd., 4.625%, 12/15/18 | \$ 175,000 | \$ 179,813 |
| Aviation Capital Group, 4.625%, 1/31/18 (n) | 140,000 | 147,071 |

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

| Issuer | Shares/Par | Value (\$) |
|--|-------------|--------------|
| Bonds - continued | | |
| Financial Institutions - continued | | |
| Aviation Capital Group, 6.75%, 4/06/21 (n) | \$ 200,000 | \$ 223,429 |
| CIT Group, Inc., 6.625%, 4/01/18 (n) | 319,000 | 356,480 |
| CIT Group, Inc., 5.5%, 2/15/19 (n) | 280,000 | 302,400 |
| CIT Group, Inc., 5%, 8/15/22 | 400,000 | 413,000 |
| Icahn Enterprises LP, 6%, 8/01/20 | 220,000 | 236,500 |
| Icahn Enterprises LP, 5.875%, 2/01/22 | 320,000 | 332,800 |
| International Lease Finance Corp., 7.125%, 9/01/18 (n) | 246,000 | 284,745 |
| Nationstar Mortgage LLC/Capital Corp., 10.875%, 4/01/15 | 120,000 | 120,600 |
| Nationstar Mortgage LLC/Capital Corp., 6.5%, 8/01/18 | 140,000 | 140,350 |
| Nationstar Mortgage LLC/Capital Corp., 7.875%, 10/01/20 | 555,000 | 560,550 |
| SLM Corp., 4.875%, 6/17/19 | 58,000 | 59,450 |
| SLM Corp., 8%, 3/25/20 | 515,000 | 594,825 |
| SLM Corp., 7.25%, 1/25/22 | 190,000 | 209,950 |
| SLM Corp., 6.125%, 3/25/24 | 105,000 | 105,525 |
| | | \$ 4,267,488 |
| Food & Beverages - 1.6% | | |
| B&G Foods, Inc., 4.625%, 6/01/21 | \$ 110,000 | \$ 109,450 |
| Constellation Brands, Inc., 3.75%, 5/01/21 | 35,000 | 34,781 |
| Constellation Brands, Inc., 4.25%, 5/01/23 | 215,000 | 214,463 |
| Darling Ingredients, Inc., 5.375%, 1/15/22 (n) | 230,000 | 239,200 |
| Hawk Acquisition Sub, Inc., 4.25%, 10/15/20 (n) | 175,000 | 175,000 |
| Sun Merger Sub, Inc., 5.875%, 8/01/21 (n) | 285,000 | 302,813 |
| | | \$ 1,075,707 |
| Forest & Paper Products - 0.8% | | |
| Appvion, Inc., 9%, 6/01/20 (n) | \$ 175,000 | \$ 174,563 |
| Smurfit Kappa Group PLC, 7.75%, 11/15/19 (n) | EUR 120,000 | 174,620 |
| Tembec Industries, Inc., 11.25%, 12/15/18 | \$ 150,000 | 163,125 |
| | | \$ 512,308 |
| Gaming & Lodging - 3.9% | | |
| Caesars Entertainment Operating Co., Inc., 8.5%, 2/15/20 | \$ 95,000 | \$ 75,525 |
| CCM Merger, Inc., 9.125%, 5/01/19 (n) | 255,000 | 272,850 |
| Chester Downs & Marina LLC, 9.25%, 2/01/20 (n) | 95,000 | 93,813 |
| Greektown Holdings LLC, 8.875%, 3/15/19 (n) | 190,000 | 194,750 |
| Hilton Worldwide Finance Co., 5.625%, 10/15/21 (n) | 200,000 | 211,500 |
| Isle of Capri Casinos, Inc., 8.875%, 6/15/20 | 130,000 | 138,450 |
| Isle of Capri Casinos, Inc., 5.875%, 3/15/21 | 35,000 | 35,525 |
| MGM Resorts International, 11.375%, 3/01/18 | 195,000 | 252,035 |
| MGM Resorts International, 6.625%, 12/15/21 | 180,000 | 200,250 |
| Pinnacle Entertainment, Inc., 8.75%, 5/15/20 | 165,000 | 180,263 |
| PNK Finance Corp., 6.375%, 8/01/21 (n) | 130,000 | 136,825 |
| Ryman Hospitality Properties, Inc., REIT, 5%, 4/15/21 | 230,000 | 229,425 |

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

| Issuer | Shares/Par | Value (\$) |
|--|------------|--------------|
| Bonds - continued | | |
| Gaming & Lodging - continued | | |
| Seven Seas Cruises S. DE R.L., 9.125%, 5/15/19 | \$ 310,000 | \$ 339,838 |
| Wynn Las Vegas LLC, 7.75%, 8/15/20 | 260,000 | 285,350 |
| | | \$ 2,646,399 |
| Health Maintenance Organizations - 0.1% | | |
| Wellcare Health Plans, Inc., 5.75%, 11/15/20 | \$ 85,000 | \$ 90,525 |
| Industrial - 1.8% | | |
| Dematic S.A., 7.75%, 12/15/20 (n) | \$ 385,000 | \$ 410,987 |
| Howard Hughes Corp., 6.875%, 10/01/21 (n) | 240,000 | 258,000 |
| Hyva Global B.V., 8.625%, 3/24/16 (n) | 200,000 | 206,000 |
| Mueller Water Products, Inc., 8.75%, 9/01/20 | 126,000 | 139,860 |
| SPL Logistics Escrow LLC, 8.875%, 8/01/20 (n) | 175,000 | 194,688 |
| | | \$ 1,209,535 |
| International Market Quasi-Sovereign - 0.3% | | |
| Eksportfinans A.S.A., 5.5%, 5/25/16 | \$ 60,000 | \$ 63,675 |
| Eksportfinans A.S.A., 5.5%, 6/26/17 | 140,000 | 149,975 |
| | | \$ 213,650 |
| Machinery & Tools - 1.6% | | |
| H&E Equipment Services Co., 7%, 9/01/22 | \$ 295,000 | \$ 324,500 |
| Jurassic Holdings III, Inc., 6.875%, 2/15/21 (n) | 265,000 | 271,625 |
| RSC Equipment Rental, Inc., 8.25%, 2/01/21 | 240,000 | 268,800 |
| United Rentals North America, Inc., 7.625%, 4/15/22 | 177,000 | 200,674 |
| | | \$ 1,065,599 |
| Major Banks - 1.9% | | |
| Bank of America Corp., FRN, 5.2%, 12/31/49 | \$ 420,000 | \$ 406,350 |
| JPMorgan Chase & Co., 6% to 8/01/23, FRN to 12/29/49 | 415,000 | 419,669 |
| Royal Bank of Scotland Group PLC, 7.648% to 9/30/31, FRN to 8/29/49 | 275,000 | 319,000 |
| Royal Bank of Scotland Group PLC, 6.99% to 10/04/17, FRN to 10/29/49 (n) | 100,000 | 114,500 |
| | | \$ 1,259,519 |
| Medical & Health Technology & Services - 6.4% | | |
| CHS/Community Health Systems, Inc., 5.125%, 8/01/21 (z) | \$ 55,000 | \$ 55,825 |
| CHS/Community Health Systems, Inc., 6.875%, 2/01/22 (z) | 355,000 | 373,638 |
| Davita, Inc., 6.375%, 11/01/18 | 505,000 | 530,250 |
| Davita, Inc., 6.625%, 11/01/20 | 190,000 | 202,350 |
| Fresenius Medical Care Capital Trust III, 5.625%, 7/31/19 (n) | 170,000 | 185,513 |
| Fresenius Medical Care Capital Trust III, 5.875%, 1/31/22 (n) | 145,000 | 157,325 |
| HCA, Inc., 7.5%, 2/15/22 | 380,000 | 437,950 |
| HCA, Inc., 5.875%, 3/15/22 | 465,000 | 506,269 |

Table of Contents

Portfolio of Investments (unaudited) continued

| Issuer | Shares/Par | Value (\$) |
|---|------------|---------------------|
| Bonds - continued | | |
| Medical & Health Technology & Services - continued | | |
| HCA, Inc., 5%, 3/15/24 | \$ 90,000 | \$ 91,350 |
| HealthSouth Corp., 8.125%, 2/15/20 | 425,000 | 457,938 |
| IASIS Healthcare LLC/IASIS Capital Corp., 8.375%, 5/15/19 | 2,000 | 2,133 |
| Lifepoint Hospitals, Inc., 5.5%, 12/01/21 (n) | 315,000 | 329,963 |
| Tenet Healthcare Corp., 5%, 3/01/19 (z) | 55,000 | 56,100 |
| Tenet Healthcare Corp., 8%, 8/01/20 | 430,000 | 468,700 |
| Tenet Healthcare Corp., 4.5%, 4/01/21 | 210,000 | 208,425 |
| Universal Health Services, Inc., 7.625%, 8/15/20 | 245,000 | 257,860 |
| | | \$ 4,321,589 |
| Medical Equipment - 1.1% | | |
| Biomet, Inc., 6.5%, 8/01/20 | \$ 142,000 | \$ 154,070 |
| Physio-Control International, Inc., 9.875%, 1/15/19 (n) | 128,000 | 142,419 |
| Teleflex, Inc., 6.875%, 6/01/19 | 275,000 | 293,219 |
| Teleflex, Inc., 5.25%, 6/15/24 (n) | 165,000 | 167,269 |
| | | \$ 756,977 |
| Metals & Mining - 4.9% | | |
| ArcelorMittal S.A., 6.75%, 2/25/22 | \$ 60,000 | \$ 67,050 |
| ArcelorMittal S.A., 7.25%, 3/01/41 | 145,000 | 152,250 |
| Arch Coal, Inc., 8%, 1/15/19 (n) | 105,000 | 103,163 |
| Arch Coal, Inc., 7.25%, 10/01/20 | 135,000 | 97,875 |
| Century Aluminum Co., 7.5%, 6/01/21 (n) | 200,000 | 208,000 |
| Commercial Metals Co., 4.875%, 5/15/23 | 210,000 | 202,388 |
| Consol Energy, Inc., 8.25%, 4/01/20 | 310,000 | 337,125 |
| Consol Energy, Inc., 6.375%, 3/01/21 | 75,000 | 79,500 |
| Consol Energy, Inc., 5.875%, 4/15/22 (n) | 30,000 | 31,125 |
| First Quantum Minerals Ltd., 7.25%, 10/15/19 (n) | 400,000 | 414,000 |
| First Quantum Minerals Ltd., 7.25%, 5/15/22 (z) | 200,000 | 205,500 |
| FMG Resources, 6.875%, 4/01/22 (n) | 50,000 | 52,750 |
| Fortescue Metals Group Ltd., 8.25%, 11/01/19 (n) | 180,000 | 195,750 |
| GrafTech International Co., 6.375%, 11/15/20 | 225,000 | 230,060 |
| Molycorp, Inc., 10%, 6/01/20 | 60,000 | 53,850 |
| Peabody Energy Corp., 6%, 11/15/18 | 110,000 | 114,675 |
| Peabody Energy Corp., 6.25%, 11/15/21 | 110,000 | 110,000 |
| Steel Dynamics, Inc., 5.25%, 4/15/23 | 65,000 | 66,463 |
| Suncoke Energy Partners LP/Suncoke Energy Partners Finance Corp., 7.375%, 2/01/20 (z) | 90,000 | 95,850 |
| Suncoke Energy, Inc., 7.625%, 8/01/19 | 155,000 | 164,982 |
| TMS International Corp., 7.625%, 10/15/21 (n) | 155,000 | 165,463 |
| Walter Energy, Inc., 9.5%, 10/15/19 (n) | 95,000 | 96,188 |
| Walter Energy, Inc., 8.5%, 4/15/21 | 195,000 | 105,300 |
| | | \$ 3,349,307 |

Table of Contents

Portfolio of Investments (unaudited) continued

| Issuer | Shares/Par | Value (\$) |
|---|------------|--------------|
| Bonds - continued | | |
| Municipals - 0.1% | | |
| New Jersey Tobacco Settlement Financing Corp., 1-A, 4.5%, 6/01/23 | \$ 90,000 | \$ 89,671 |
| Natural Gas - Distribution - 1.2% | | |
| AmeriGas Finance LLC, 6.75%, 5/20/20 | \$ 310,000 | \$ 337,900 |
| Ferrellgas LP/Ferrellgas Finance Corp., 6.5%, 5/01/21 | 230,000 | 240,350 |
| Ferrellgas LP/Ferrellgas Finance Corp., 6.75%, 1/15/22 (n) | 215,000 | 224,138 |
| | | \$ 802,388 |
| Natural Gas - Pipeline - 5.2% | | |
| Access Midstream Partners Co., 5.875%, 4/15/21 | \$ 75,000 | \$ 79,969 |
| Access Midstream Partners Co., 4.875%, 5/15/23 | 345,000 | 360,525 |
| Atlas Pipeline Partners LP/Atlas Pipeline, 4.75%, 11/15/21 | 70,000 | 67,900 |
| Atlas Pipeline Partners LP/Atlas Pipeline, 5.875%, 8/01/23 | 210,000 | 212,100 |
| Colorado Interstate Gas Co., 6.8%, 11/15/15 | 91,000 | 98,788 |
| Crestwood Midstream Partners LP, 6%, 12/15/20 | 235,000 | 244,988 |
| Crestwood Midstream Partners LP, 6.125%, 3/01/22 (n) | 135,000 | 141,413 |
| El Paso Corp., 7.75%, 1/15/32 | 500,000 | 545,000 |
| Energy Transfer Equity LP, 7.5%, 10/15/20 | 290,000 | 334,950 |
| MarkWest Energy Partners LP, 5.5%, 2/15/23 | 230,000 | 240,350 |
| MarkWest Energy Partners LP, 4.5%, 7/15/23 | 260,000 | 255,450 |
| Sabine Pass Liquefaction LLC, 5.625%, 2/01/21 | 200,000 | 209,500 |
| Sabine Pass Liquefaction LLC, 5.625%, 4/15/23 | 450,000 | 462,375 |
| Sabine Pass Liquefaction LLC, 5.75%, 5/15/24 (z) | 135,000 | 138,713 |
| Summit Mid Holdings LLC, 7.5%, 7/01/21 | 130,000 | 141,050 |
| | | \$ 3,533,071 |
| Network & Telecom - 1.7% | | |
| Centurylink, Inc., 6.45%, 6/15/21 | \$ 165,000 | \$ 179,438 |
| Centurylink, Inc., 7.65%, 3/15/42 | 175,000 | 175,656 |
| Citizens Communications Co., 9%, 8/15/31 | 205,000 | 217,813 |
| Frontier Communications Corp., 8.125%, 10/01/18 | 95,000 | 110,794 |
| Qwest Corp., 7.5%, 10/01/14 | 1,000 | 1,021 |
| TW Telecom Holdings, Inc., 5.375%, 10/01/22 | 195,000 | 199,144 |
| TW Telecom Holdings, Inc., 5.375%, 10/01/22 | 70,000 | 71,488 |
| Windstream Corp., 7.75%, 10/15/20 | 135,000 | 146,475 |
| Windstream Corp., 7.75%, 10/01/21 | 55,000 | 59,675 |
| | | \$ 1,161,504 |
| Oil Services - 2.1% | | |
| Bristow Group, Inc., 6.25%, 10/15/22 | \$ 340,000 | \$ 366,350 |
| Edgen Murray Corp., 8.75%, 11/01/20 (n) | 153,000 | 175,568 |
| Pacific Drilling S.A., 5.375%, 6/01/20 (n) | 235,000 | 230,300 |
| Shale-Inland Holdings LLC/Finance Co., 8.75%, 11/15/19 (n) | 245,000 | 254,180 |

Table of Contents

Portfolio of Investments (unaudited) continued

| Issuer | Shares/Par | Value (\$) |
|---|-------------|--------------|
| Bonds - continued | | |
| Oil Services - continued | | |
| Unit Corp., 6.625%, 5/15/21 | \$ 365,000 | \$ 388,725 |
| | | \$ 1,415,123 |
| Other Banks & Diversified Financials - 0.5% | | |
| Groupe BPCE S.A., 12.5% to 8/6/09, FRN to 8/29/49 (n) | \$ 225,000 | \$ 307,125 |
| Pharmaceuticals - 1.9% | | |
| Capsugel FinanceCo. SCA, 9.875%, 8/01/19 (n) | EUR 200,000 | \$ 296,826 |
| Endo Finance LLC/Endo Finco, Inc., 7.25%, 1/15/22 (z) | \$ 190,000 | 207,100 |
| Salix Pharmaceuticals Ltd., 6%, 1/15/21 (n) | 110,000 | 117,975 |
| Valeant Pharmaceuticals International, Inc., 7%, 10/01/20 (n) | 390,000 | 415,350 |
| Valeant Pharmaceuticals International, Inc., 7.25%, 7/15/22 (n) | 105,000 | 113,660 |
| Vantage Point Imaging, 7.5%, 7/15/21 (n) | 125,000 | 138,750 |
| | | \$ 1,289,661 |
| Precious Metals & Minerals - 0.7% | | |
| Eldorado Gold Corp., 6.125%, 12/15/20 (n) | \$ 175,000 | \$ 175,000 |
| IAMGOLD Corp., 6.75%, 10/01/20 (n) | 354,000 | 315,060 |
| | | \$ 490,060 |
| Printing & Publishing - 0.8% | | |
| American Media, Inc., 13.5%, 6/15/18 (z) | \$ 28,207 | \$ 30,252 |
| Gannett Co., Inc., 6.375%, 10/15/23 (n) | 195,000 | 208,163 |
| Gannett Co., Inc., 5.125%, 7/15/20 (n) | 110,000 | 113,850 |
| Lamar Media Corp., 5%, 5/01/23 | 165,000 | 166,238 |
| | | \$ 518,503 |
| Railroad & Shipping - 0.2% | | |
| Watco Cos. LLC, 6.375%, 4/01/23 (n) | \$ 165,000 | \$ 168,300 |
| Real Estate - 2.4% | | |
| Aviv Healthcare Properties LP/Aviv Healthcare, 6%, 10/15/21 | \$ 235,000 | \$ 247,925 |
| CNL Lifestyle Properties, Inc., REIT, 7.25%, 4/15/19 | 150,000 | 156,750 |
| DuPont Fabros Technology LP, REIT, 5.875%, 9/15/21 | 220,000 | 227,700 |
| ERP Properties, REIT, 7.75%, 7/15/20 | 200,000 | 239,982 |
| ERP Properties, REIT, 5.75%, 8/15/22 | 50,000 | 54,285 |
| Felcor Lodging LP, REIT, 5.625%, 3/01/23 | 270,000 | 278,438 |
| MPT Operating Partnership LP, REIT, 6.875%, 5/01/21 | 150,000 | 163,500 |
| MPT Operating Partnership LP, REIT, 6.375%, 2/15/22 | 255,000 | 273,488 |
| | | \$ 1,642,068 |
| Retailers - 2.3% | | |
| Best Buy Co., Inc., 5.5%, 3/15/21 | \$ 275,000 | \$ 285,310 |
| Bon Ton Stores, Inc., 8%, 6/15/21 | 150,000 | 143,250 |

Table of Contents

Portfolio of Investments (unaudited) continued

| Issuer | Shares/Par | Value (\$) |
|--|------------|---------------------|
| Bonds - continued | | |
| Retailers - continued | | |
| Burlington Coat Factory Warehouse Corp., 10%, 2/15/19 | \$ 210,000 | \$ 230,213 |
| Jo-Ann Stores Holdings, Inc., 9.75%, 10/15/19 (n)(p) | 185,000 | 191,938 |
| Limited Brands, Inc., 7%, 5/01/20 | 50,000 | 57,000 |
| Limited Brands, Inc., 6.95%, 3/01/33 | 175,000 | 181,125 |
| Rite Aid Corp., 9.25%, 3/15/20 | 310,000 | 353,400 |
| Sally Beauty Holdings, Inc., 6.875%, 11/15/19 | 135,000 | 147,150 |
| | | \$ 1,589,386 |
| Specialty Chemicals - 0.4% | | |
| Chemtura Corp., 5.75%, 7/15/21 | \$ 275,000 | \$ 283,594 |
| Specialty Stores - 0.5% | | |
| Group 1 Automotive, Inc., 5%, 6/01/22 (z) | \$ 170,000 | \$ 170,850 |
| Michaels Stores, Inc., 7.75%, 11/01/18 | 105,000 | 111,038 |
| Michaels Stores, Inc., 5.875%, 12/15/20 (n) | 55,000 | 56,100 |
| | | \$ 337,988 |
| Telecommunications - Wireless - 5.6% | | |
| Crown Castle International Corp., 4.875%, 4/15/22 | \$ 90,000 | \$ 92,925 |
| Crown Castle International Corp., 5.25%, 1/15/23 | 165,000 | 171,600 |
| Digicel Group Ltd., 8.25%, 9/01/17 (n) | 235,000 | 243,225 |
| Digicel Group Ltd., 7.125%, 4/01/22 (n) | 200,000 | 206,000 |
| Eileme 2 AB, 11.625%, 1/31/20 (n) | 200,000 | 239,500 |
| Sprint Capital Corp., 6.875%, 11/15/28 | 185,000 | 189,625 |
| Sprint Corp., 7.875%, 9/15/23 (n) | 300,000 | 339,000 |
| Sprint Corp., 7.125%, 6/15/24 (n) | 265,000 | 285,538 |
| Sprint Nextel Corp., 9%, 11/15/18 (n) | 150,000 | 182,250 |
| Sprint Nextel Corp., 6%, 11/15/22 | 205,000 | 211,660 |
| T-Mobile USA, Inc., 6.125%, 1/15/22 | 35,000 | 37,100 |
| T-Mobile USA, Inc., 6.5%, 1/15/24 | 95,000 | 100,938 |
| T-Mobile USA, Inc., 6.464%, 4/28/19 | 85,000 | 89,994 |
| T-Mobile USA, Inc., 6.25%, 4/01/21 | 500,000 | 531,250 |
| T-Mobile USA, Inc., 6.633%, 4/28/21 | 55,000 | 59,263 |
| Wind Acquisition Finance S.A., 7.25%, 2/15/18 (n) | 410,000 | 432,550 |
| Wind Acquisition Finance S.A., 7.375%, 4/23/21 (z) | 405,000 | 419,175 |
| | | \$ 3,831,593 |
| Telephone Services - 0.5% | | |
| Cogent Communications Group, Inc., 8.375%, 2/15/18 (n) | \$ 100,000 | \$ 107,250 |
| Level 3 Financing, Inc., 9.375%, 4/01/19 | 155,000 | 170,306 |
| Level 3 Financing, Inc., 8.625%, 7/15/20 | 80,000 | 89,800 |
| | | \$ 367,356 |

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

| Issuer | Shares/Par | Value (\$) |
|---|------------|----------------------|
| Bonds - continued | | |
| Transportation - Services - 3.6% | | |
| Aguila American Resources Ltd., 7.875%, 1/31/18 (n) | \$ 300,000 | \$ 318,186 |
| Avis Budget Car Rental LLC, 8.25%, 1/15/19 | 75,000 | 80,120 |
| Avis Budget Car Rental LLC, 9.75%, 3/15/20 | 95,000 | 107,825 |
| Ceva Group PLC, 7%, 3/01/21 (z) | 150,000 | 152,625 |
| Jack Cooper Holdings Corp., 9.25%, 6/01/20 (n) | 365,000 | 398,763 |
| Navios Maritime Acquisition Corp., 8.125%, 11/15/21 (n) | 300,000 | 314,250 |
| Navios Maritime Holding, Inc., 7.375%, 1/15/22 (n) | 300,000 | 305,625 |
| Navios South American Logistics, Inc./Navios Logistics Finance (U.S.), Inc., 7.25%, 5/01/22 (n) | 38,000 | 39,093 |
| Stena AB, 7%, 2/01/24 (n) | 400,000 | 421,000 |
| Syncreon Group BV/Syncre, 8.625%, 11/01/21 (n) | 200,000 | 203,000 |
| Ultrapetrol (Bahamas) Ltd., 8.875%, 6/15/21 | 109,000 | 117,720 |
| | | \$ 2,458,207 |
| Utilities - Electric Power - 2.9% | | |
| AES Corp., 7.375%, 7/01/21 | \$ 195,000 | \$ 224,250 |
| AES Corp., 5.5%, 3/15/24 | 55,000 | 56,375 |
| Calpine Corp., 7.875%, 7/31/20 (n) | 172,000 | 187,480 |
| Calpine Corp., 6%, 1/15/22 (n) | 35,000 | 37,538 |
| Covanta Holding Corp., 7.25%, 12/01/20 | 265,000 | 289,844 |
| Energy Future Holdings Corp., 10%, 12/01/20 | 113,000 | 119,921 |
| Energy Future Holdings Corp., 10.25%, 12/01/20 (n) | 130,000 | 138,125 |
| InterGen N.V., 7%, 6/30/23 (n) | 200,000 | 209,000 |
| NRG Energy, Inc., 8.25%, 9/01/20 | 280,000 | 309,400 |
| NRG Energy, Inc., 6.25%, 7/15/22 (n) | 85,000 | 90,100 |
| NRG Energy, Inc., 6.625%, 3/15/23 | 255,000 | 272,213 |
| | | \$ 1,934,246 |
| Total Bonds (Identified Cost, \$80,822,226) | | \$ 83,661,680 |
| Floating Rate Loans (g)(r) - 3.1% | | |
| Aerospace - 0.1% | | |
| TransDigm, Inc., Term Loan C, 3.75%, 2/28/20 | \$ 97,057 | \$ 96,542 |
| Conglomerates - 0.4% | | |
| Entegris, Inc., Term Loan B, 3.5%, 2/04/21 | \$ 184,367 | \$ 182,177 |
| Silver II U.S. Holdings LLC, Term Loan, 4%, 12/13/19 | 93,472 | 93,375 |
| | | \$ 275,552 |
| Consumer Services - 0.2% | | |
| Realogy Corp., Term Loan B, 3.75%, 3/05/20 (o) | \$ 133,234 | \$ 133,067 |
| Electronics - 0.3% | | |
| Avago Technologies Cayman Ltd., Term Loan B, 3.75%, 5/06/21 | \$ 174,021 | \$ 174,529 |

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

| Issuer | Shares/Par | Value (\$) |
|---|------------|---------------------|
| Floating Rate Loans (g)(r) - continued | | |
| Energy - Independent - 0.2% | | |
| MEG Energy Corp., Term Loan, 3.75%, 3/31/20 | \$ 119,656 | \$ 119,955 |
| Entertainment - 0.1% | | |
| Cedar Fair LP, Term Loan B, 3.25%, 3/06/20 | \$ 81,450 | \$ 81,755 |
| Food & Beverages - 0.1% | | |
| H.J. Heinz Co., Term Loan B2, 3.5%, 6/07/20 | \$ 58,959 | \$ 59,239 |
| Gaming & Lodging - 0.1% | | |
| Hilton Worldwide Finance LLC, Term Loan B2, 3.5%, 10/25/20 | \$ 90,855 | \$ 90,489 |
| Medical & Health Technology & Services - 0.1% | | |
| Community Health Systems, Inc., Term Loan D, 4.25%, 1/16/21 | \$ 43,750 | \$ 43,983 |
| Metals & Mining - 0.2% | | |
| FMG Resources Ltd., Term Loan B, 3.75%, 6/30/19 | \$ 108,853 | \$ 108,683 |
| Printing & Publishing - 0.2% | | |
| CBS Outdoor Americas Capital LLC, Term Loan B, 1/31/21 (o) | \$ 129,188 | \$ 128,381 |
| Retailers - 0.3% | | |
| Rite Aid Corp., Term Loan, 4.87%, 6/21/21 | \$ 79,361 | \$ 80,155 |
| Toys R Us Property Co. I LLC, Term Loan B, 6%, 8/21/19 | 155,293 | 148,304 |
| | | \$ 228,459 |
| Specialty Stores - 0.1% | | |
| Men's Warehouse, Inc., Term Loan B, 3/11/21 (o) | \$ 60,512 | \$ 60,573 |
| Supermarkets - 0.0% | | |
| Stater Bros. Markets, Term Loan B, 5/09/21 (o) | \$ 32,340 | \$ 32,400 |
| Transportation - Services - 0.4% | | |
| Commercial Barge Line Co., Term Loan, 7.5%, 9/22/19 | \$ 307,108 | \$ 308,259 |
| Utilities - Electric Power - 0.3% | | |
| Calpine Construction Finance Co., Term Loan B1, 3%, 5/03/20 | \$ 202,805 | \$ 198,834 |
| Total Floating Rate Loans (Identified Cost, \$2,145,023) | | \$ 2,140,700 |
| Preferred Stocks - 0.4% | | |
| Other Banks & Diversified Financials - 0.4% | | |
| Ally Financial, Inc., 7% (z) | 100 | \$ 100,850 |
| GMAC Capital Trust I, 8.125% | 5,675 | 153,906 |
| Total Preferred Stocks (Identified Cost, \$237,049) | | \$ 254,756 |

Table of Contents

Portfolio of Investments (unaudited) continued

| Common Stocks - 0.1% | | |
|--|----------------------------|----------------------|
| Issuer | Shares/Par | Value (\$) |
| Automotive - 0.0% | | |
| Accuride Corp. (a) | 4,099 | \$ 22,540 |
| Printing & Publishing - 0.1% | | |
| American Media Operations, Inc. (a) | 7,229 | \$ 40,627 |
| Total Common Stocks (Identified Cost, \$167,543) | | \$ 63,167 |
| Call Options Purchased - 0.0% | | |
| Issuer/Expiration Date/Strike Price | Number of Contracts | |
| iShares Russell 2000 Index - June 2014 @ \$116 (Premiums Paid, \$18,923) | 72 | \$ 5,256 |
| Money Market Funds - 5.8% | | |
| Issuer/Expiration Date/Strike Price | Shares/Par | |
| MFS Institutional Money Market Portfolio, 0.07%, at Cost and Net Asset Value (v) | 3,969,509 | \$ 3,969,509 |
| Total Investments (Identified Cost, \$87,360,273) | | \$ 90,095,068 |
| Other Assets, Less Liabilities - (32.7)% | | (22,225,588) |
| Net Assets - 100.0% | | \$ 67,869,480 |

(a) Non-income producing security.

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

(n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in the ordinary course of business in transactions exempt from registration, normally to qualified institutional buyers. At period end, the aggregate value of these securities was \$29,187,368 representing 43.0% of net assets.

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

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

| Payment-in-kind Securities | Cash | Additional Securities |
|---|-------------|------------------------------|
| Jo-Ann Stores Holdings, Inc., 9.75%, 10/15/19 | \$9,019 | \$ |

(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.

Table of Contents

Portfolio of Investments (unaudited) continued

- (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:

| Restricted Securities | Acquisition Date | Cost | Value |
|---|-------------------------|-------------|--------------------|
| Ally Financial, Inc., 7% (Preferred Stock) | 4/13/11-4/14/11 | \$93,750 | \$100,850 |
| American Media, Inc., 13.5%, 6/15/18 | 12/22/10 | 28,503 | 30,252 |
| Athlon Holdings LP/Athlon Finance Corp., 6%, 5/01/22 | 4/16/14-5/13/14 | 253,329 | 255,625 |
| Banc of America Commercial Mortgage, Inc., FRN, 6.273%, 2/10/51 | 6/19/08 | 331,617 | 239,093 |
| Baytex Energy Corp., 5.125%, 6/01/21 | 5/29/14 | 35,000 | 35,438 |
| Baytex Energy Corp., 5.625%, 6/01/24 | 5/29/14-5/30/14 | 120,700 | 120,750 |
| CHS/Community Health Systems, Inc., 5.125%, 8/01/21 | 1/15/14 | 55,000 | 55,825 |
| CHS/Community Health Systems, Inc., 6.875%, 2/01/22 | 1/15/14-4/24/14 | 365,234 | 373,638 |
| Ceva Group PLC, 7%, 3/01/21 | 3/14/14-4/04/14 | 152,942 | 152,625 |
| CommScope Holding Company, Inc., 5%, 6/15/21 | 5/15/14-5/16/14 | 105,037 | 105,525 |
| Endo Finance LLC/Endo Finco, Inc., 7.25%, 1/15/22 | 5/06/14-5/21/14 | 207,809 | 207,100 |
| First Quantum Minerals Ltd., 7.25%, 5/15/22 | 5/08/14 | 200,000 | 205,500 |
| G-Force LLC, CDO, A2, 4.83%, 8/22/36 | 1/20/11 | 1,808 | 1,901 |
| Garda World Security Corp., 7.25%, 11/15/21 | 5/21/14-5/22/14 | 58,296 | 57,819 |
| Garda World Security Corp., 7.25%, 11/15/21 | 4/24/14 | 189,360 | 189,225 |
| Group 1 Automotive, Inc., 5%, 6/01/22 | 5/16/14-5/20/14 | 170,875 | 170,850 |
| Rice Energy, Inc., 6.25%, 5/01/22 | 4/16/14-5/14/14 | 166,719 | 166,444 |
| SIRIUS XM Radio, Inc., 6%, 7/15/24 | 5/01/14-5/13/14 | 136,644 | 138,713 |
| Sabine Pass Liquefaction LLC, 5.75%, 5/15/24 | 5/13/14 | 135,000 | 138,713 |
| Signode Industrial Group, 6.375%, 5/01/22 | 4/07/14-4/25/14 | 232,082 | 232,300 |
| Suncoke Energy Partners LP/Suncoke Energy Partners Finance Corp., 7.375%, 2/01/20 | 4/29/14 | 94,681 | 95,850 |
| Tenet Healthcare Corp., 5%, 3/01/19 | 3/05/14 | 55,000 | 56,100 |
| TransDigm, Inc., 6%, 7/15/22 | 5/20/14 | 25,000 | 25,188 |
| TransDigm, Inc., 6.5%, 7/15/24 | 5/20/14-5/21/14 | 100,488 | 101,500 |
| Wind Acquisition Finance S.A., 7.375%, 4/23/21 | 4/08/14 | 405,000 | 419,175 |
| Total Restricted Securities | | | \$3,675,999 |
| % of Net assets | | | 5.4% |

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

Table of Contents

Portfolio of Investments (unaudited) continued

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

EUR Euro

Derivative Contracts at 5/31/14

Forward Foreign Currency Exchange Contracts at 5/31/14

| Type | Currency | Counter-party | Contracts | | In Exchange for | Contracts at Value | Net Unrealized Appreciation (Depreciation) |
|-------------------|----------|---------------------|-----------------|-----------------------|-----------------|--------------------|--|
| | | | Deliver/Receive | Settlement Date Range | | | |
| Asset Derivatives | | | | | | | |
| SELL | EUR | Credit Suisse Group | 716,411 | 7/11/14 | \$988,924 | \$976,526 | \$12,398 |

Swap Agreements at 5/31/14

| Expiration | Notional Amount | Counterparty | Cash Flows to Receive | Cash Flows to Pay | Fair Value |
|---------------------------------------|-----------------|---------------------------------|-----------------------|-------------------|------------|
| Asset Derivatives | | | | | |
| <i>Credit Default Swap Agreements</i> | | | | | |
| 12/20/17 | USD 683,100 | Goldman Sachs International (a) | 5.0% (fixed rate) | (1) | \$69,912 |

(1) Fund, as protection seller, to pay notional amount upon a defined credit event by a reference obligation specified in the CDX North America High Yield 19 Index, a B rated credit default index. The fund entered into the contract to manage market/sector exposure.

(a) Net unamortized premiums paid by the fund amounted to \$21,801.

The credit ratings presented here are an indicator of the current payment/performance risk of the related swap agreement, the reference obligation for which may be either a single security or, in the case of a credit default index, a basket of securities issued by corporate or sovereign issuers. Ratings are assigned to each reference security, including each individual security within a reference basket of 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). The ratings for a credit default index are calculated by MFS as a weighted average of the external credit ratings of the individual securities that compose the index's reference basket of securities.

See Notes to Financial Statements

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

At 5/31/14 (unaudited)

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

| | |
|---|--------------|
| Assets | |
| Investments- | |
| Non-affiliated issuers, at value (identified cost, \$83,390,764) | \$86,125,559 |
| Underlying affiliated funds, at cost and value | 3,969,509 |
| Total investments, at value (identified cost, \$87,360,273) | \$90,095,068 |
| Cash | 6,915 |
| Receivables for | |
| Forward foreign currency exchange contracts | 12,398 |
| Investments sold | 266,343 |
| Interest | 1,364,594 |
| Swaps, at value (net unamortized premiums paid, \$21,801) | 69,912 |
| Other assets | 14,369 |
| Total assets | \$91,829,599 |
| Liabilities | |
| Notes payable | \$22,000,000 |
| Payables for | |
| Distributions | 17,883 |
| Investments purchased | 1,843,216 |
| Payable to affiliates | |
| Investment adviser | 22,390 |
| Transfer agent and dividend disbursing costs | 440 |
| Payable for independent Trustees' compensation | 62 |
| Accrued interest expense | 29,272 |
| Accrued expenses and other liabilities | 46,856 |
| Total liabilities | \$23,960,119 |
| Net assets | \$67,869,480 |
| Net assets consist of | |
| Paid-in capital | \$79,253,786 |
| Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies | 2,795,216 |
| Accumulated net realized gain (loss) on investments and foreign currency | (13,866,897) |
| Accumulated distributions in excess of net investment income | (312,625) |
| Net assets | \$67,869,480 |
| Shares of beneficial interest outstanding | 21,092,613 |
| Net asset value per share (net assets of \$67,869,480 / 21,092,613 shares of beneficial interest outstanding) | \$3.22 |

See Notes to Financial Statements

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

Six months ended 5/31/14 (unaudited)

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

| | |
|--|-------------|
| Net investment income | |
| Income | |
| Interest | \$2,827,025 |
| Dividends | 9,263 |
| Dividends from underlying affiliated funds | 1,150 |
| Total investment income | \$2,837,438 |
| Expenses | |
| Management fee | \$345,617 |
| Transfer agent and dividend disbursing costs | 7,470 |
| Administrative services fee | 9,710 |
| Independent Trustees' compensation | 6,027 |
| Stock exchange fee | 11,933 |
| Custodian fee | 6,773 |
| Interest expense | 90,598 |
| Shareholder communications | 20,128 |
| Audit and tax fees | 38,751 |
| Legal fees | 3,494 |
| Miscellaneous | 10,812 |
| Total expenses | \$551,313 |
| Fees paid indirectly | (20) |
| Reduction of expenses by investment adviser | (10,817) |
| Net expenses | \$540,476 |
| Net investment income | \$2,296,962 |
| Realized and unrealized gain (loss) on investments and foreign currency | |
| Realized gain (loss) (identified cost basis) | |
| Investments | \$1,368,744 |
| Swap agreements | 7,764 |
| Foreign currency | (22,390) |
| Net realized gain (loss) on investments and foreign currency | \$1,354,118 |
| Change in unrealized appreciation (depreciation) | |
| Investments | \$213,739 |
| Swap agreements | 4,148 |
| Translation of assets and liabilities in foreign currencies | 18,568 |
| Net unrealized gain (loss) on investments and foreign currency translation | \$236,455 |
| Net realized and unrealized gain (loss) on investments and foreign currency | \$1,590,573 |
| Change in net assets from operations | \$3,887,535 |

See Notes to Financial Statements

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

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

| | Six months ended 5/31/14 (unaudited) | Year ended 11/30/13 |
|--|---|--------------------------------|
| Change in net assets | | |
| From operations | | |
| Net investment income | \$2,296,962 | \$4,821,441 |
| Net realized gain (loss) on investments and foreign currency | 1,354,118 | 1,949,459 |
| Net unrealized gain (loss) on investments and foreign currency translation | 236,455 | (894,686) |
| Change in net assets from operations | \$3,887,535 | \$5,876,214 |
| Distributions declared to shareholders | | |
| From net investment income | \$(2,647,123) | \$(5,069,865) |
| Change in net assets from fund share transactions | \$ | \$136,596 |
| Total change in net assets | \$1,240,412 | \$942,945 |
| Net assets | | |
| At beginning of period | 66,629,068 | 65,686,123 |
| At end of period (including accumulated distributions in excess of net investment income of \$312,625 and undistributed net investment income of \$37,536, respectively) | \$67,869,480 | \$66,629,068 |
| See Notes to Financial Statements | | |

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

Six months ended 5/31/14 (unaudited)

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

| | |
|--|---------------|
| Cash flows from operating activities: | |
| Change in net assets from operations | \$3,887,535 |
| Adjustments to reconcile change in net assets from operations to net cash provided by operating activities: | |
| Purchase of investment securities | (28,662,724) |
| Proceeds from disposition of investment securities | 30,104,816 |
| Proceeds from swap agreements | 7,764 |
| Purchases of short-term investments, net | (1,306,998) |
| Realized gain/loss on investments | (1,368,744) |
| Realized gain/loss on swap agreements | (7,764) |
| Unrealized appreciation/depreciation on investments | (213,739) |
| Unrealized appreciation/depreciation on foreign currency contracts | (18,757) |
| Unrealized appreciation/depreciation on swaps | (4,148) |
| Net amortization/accretion of income | 112,320 |
| Decrease in interest and dividends receivable | 27,005 |
| Decrease in accrued expenses and other liabilities | (48,818) |
| Increase in other assets | (12,414) |
| Decrease in interest payable | (4,375) |
| Net cash provided by operating activities | \$2,490,959 |
| Cash flows from financing activities: | |
| Distributions paid in cash | \$(2,645,737) |
| Net decrease in cash | \$(154,778) |
| Cash: | |
| Beginning of period | \$161,693 |
| End of period | \$6,915 |
| Supplemental disclosure of cash flow information: | |

Cash paid during the six months ended May 31, 2014 for interest was \$94,973.

See Notes to Financial Statements

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

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

| | Six months ended 5/31/14 | 2013 | Years ended 11/30 | | | 2009 |
|---|--------------------------------|----------|-------------------|----------|----------|-----------|
| | | | 2012 | 2011 | 2010 | |
| | (unaudited) | | | | | |
| Net asset value, beginning of period | \$3.16 | \$3.12 | \$2.84 | \$3.02 | \$2.72 | \$1.72 |
| Income (loss) from investment operations | | | | | | |
| Net investment income (d) | \$0.11 | \$0.23 | \$0.26 | \$0.27 | \$0.29 | \$0.28 |
| Net realized and unrealized gain (loss) on investments and foreign currency | 0.08 | 0.05 | 0.31 | (0.14) | 0.28 | 1.01 |
| Total from investment operations | \$0.19 | \$0.28 | \$0.57 | \$0.13 | \$0.57 | \$1.29 |
| Less distributions declared to shareholders | | | | | | |
| From net investment income | \$(0.13) | \$(0.24) | \$(0.29) | \$(0.31) | \$(0.27) | \$(0.29) |
| Net increase from repurchase of capital shares | \$ | \$ | \$ | \$ | \$ | \$0.00(w) |
| Net asset value, end of period (x) | \$3.22 | \$3.16 | \$3.12 | \$2.84 | \$3.02 | \$2.72 |
| Market value, end of period | \$2.92 | \$2.80 | \$3.08 | \$2.85 | \$3.01 | \$2.42 |
| Total return at market value (%) | 8.86(n) | (1.49) | 18.81 | 4.90 | 36.61 | 107.88 |
| Total return at net asset value (%) (j)(r)(s)(x) | 6.37(n) | 9.75 | 20.77 | 4.19 | 21.94 | 83.39 |
| Ratios (%) (to average net assets) and Supplemental data: | | | | | | |
| Expenses before expense reductions (f) | 1.65(a) | 1.72 | 1.89 | 1.92 | 2.31 | 2.85 |
| Expenses after expense reductions (f) | 1.62(a) | 1.67 | 1.73 | 1.81 | 1.88 | 2.16 |
| Net investment income | 6.86(a) | 7.28 | 8.55 | 8.83 | 9.85 | 12.69 |
| Portfolio turnover | 28(n) | 46 | 38 | 60 | 57 | 45 |
| Net assets at end of period (000 omitted) | \$67,869 | \$66,629 | \$65,686 | \$59,411 | \$63,092 | \$56,684 |

Table of Contents*Financial Highlights continued*

| | Six months ended 5/31/14 | 2013 | 2012 | Years ended 11/30 2011 | 2010 | 2009 |
|---|--------------------------------|----------|----------|---------------------------|----------|----------|
| (unaudited) | | | | | | |
| Supplemental Ratios (%): | | | | | | |
| Ratio of expenses to average net assets after expense reductions and excluding interest expense (f) | 1.34(a) | 1.35 | 1.35 | 1.35 | 1.03 | 1.08 |
| Senior Securities: | | | | | | |
| Total notes payable outstanding (000 omitted) | \$22,000 | \$22,000 | \$22,000 | \$22,000 | \$22,000 | \$21,000 |
| Asset coverage per \$1,000 of indebtedness (k) | \$4,085 | \$4,029 | \$3,986 | \$3,701 | \$3,868 | \$3,699 |

- (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 fund'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 at net asset value per share have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

Table of Contents

NOTES TO FINANCIAL STATEMENTS

(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 diversified closed-end management investment company.

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

(2) Significant Accounting Policies

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

In this reporting period, the fund adopted the disclosure provisions of FASB Accounting Standards Update 2011-11 (ASU 2011-11), Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities along with the related scope clarification provisions of FASB Accounting Standards Update 2013-01 (ASU 2013-01) entitled Balance Sheet (Topic 210) – Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. ASU 2011-11 is intended to enhance disclosures on the offsetting of financial assets and liabilities by requiring entities to disclose both gross and net information about financial instruments and transactions that are either offset in the statement of financial position or subject to an enforceable Master Netting Agreement or similar arrangement. ASU 2013-01 limits the scope of ASU 2011-11's disclosure requirements on offsetting to financial assets and financial liabilities related to derivatives, repurchase and reverse repurchase agreements, and securities lending and securities borrowing transactions.

The fund's accounting policy with respect to balance sheet offsetting is that, absent an event of default by the counterparty or a termination of the agreement, the International Swaps and Derivatives Association (ISDA) Master Agreement does not result in an offset of reported amounts of financial assets and financial liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty. The fund's right to setoff may be restricted or prohibited by the bankruptcy or insolvency laws of the particular jurisdiction to which a specific

Table of Contents

Notes to Financial Statements (unaudited) continued

master netting agreement counterparty is subject. Balance sheet offsetting disclosures, to the extent applicable to the fund, have been included in the fund's Significant Accounting Policies note under the captions for each of the fund's in-scope financial instruments and transactions

Investment Valuations Debt instruments and floating rate loans (other than short-term instruments), including restricted debt instruments, are generally valued at an evaluated or composite bid as provided by a third-party pricing service. Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price as provided by a third-party pricing service on the market or exchange on which they are primarily traded. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Short-term instruments with a maturity at issuance of 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. Swap agreements are generally valued at valuations provided by a third-party pricing service, which for cleared swaps includes an evaluation of any trading activity at the clearinghouses. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

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

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

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

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments not reflected in total investments, such as forward foreign currency exchange contracts and swap agreements. The following is a summary of the levels used as of May 31, 2014 in valuing the fund's assets or liabilities:

| Investments at Value | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|--------------|
| Equity Securities | \$181,702 | \$100,850 | \$40,627 | \$323,179 |
| Non-U.S. Sovereign Debt | | 213,650 | | 213,650 |
| Municipal Bonds | | 89,671 | | 89,671 |
| U.S. Corporate Bonds | | 66,895,984 | | 66,895,984 |
| Commercial Mortgage-Backed Securities | | 373,652 | | 373,652 |
| Asset-Backed Securities (including CDOs) | | 1,901 | | 1,901 |
| Foreign Bonds | | 16,086,822 | | 16,086,822 |
| Floating Rate Loans | | 2,140,700 | | 2,140,700 |
| Mutual Funds | 3,969,509 | | | 3,969,509 |
| Total Investments | \$4,151,211 | \$85,903,230 | \$40,627 | \$90,095,068 |
| Other Financial Instruments | | | | |
| Swap Agreements | \$ | \$69,912 | \$ | \$69,912 |
| Forward Foreign Currency Exchange Contracts | | 12,398 | | 12,398 |

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.

| | Equity Securities |
|--|--------------------------|
| Balance as of 11/30/13 | \$35,350 |
| Change in unrealized appreciation (depreciation) | 5,277 |
| Balance as of 5/31/14 | \$40,627 |

The net change in unrealized appreciation (depreciation) from investments still held as level 3 at May 31, 2014 is \$5,277.

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

Table of Contents

Notes to Financial Statements (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, 2014 as reported in the Statement of Assets and Liabilities:

| Risk | Derivative Contracts | Fair Value (a) Asset Derivatives |
|------------------|-----------------------------------|---|
| Foreign Exchange | Forward Foreign Currency Exchange | \$12,398 |
| Equity | Purchased Equity Options | 5,256 |
| Credit | Credit Default Swaps | 69,912 |
| Total | | \$87,566 |

(a) The value of purchased options outstanding is included in total investments, at value, within the fund's Statement of Assets and Liabilities.

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the six months ended May 31, 2014 as reported in the Statement of Operations:

| Risk | Swap Agreements | Foreign Currency | Investments (Purchased Options) |
|------------------|----------------------------|-----------------------------|--|
| Foreign Exchange | \$ | \$(22,281) | \$ |
| Equity | | | 1,936 |
| Credit | 7,764 | | |
| Total | \$7,764 | \$(22,281) | \$1,936 |

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, 2014 as reported in the Statement of Operations:

| Risk | Swap Agreements | Foreign Currencies | Investments (Purchased Options) |
|------------------|----------------------------|-------------------------------|--|
| Foreign Exchange | \$ | \$18,757 | \$ |
| Equity | | | (13,667) |
| Credit | 4,148 | | |
| Total | \$4,148 | \$18,757 | \$(13,667) |

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

Table of Contents

Notes to Financial Statements (unaudited) continued

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

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

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

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

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

Forward Foreign Currency Exchange Contracts The fund entered into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. These contracts may be used to hedge the fund's currency risk or for non-hedging purposes. For hedging purposes, the fund may enter into contracts to deliver or receive foreign currency that the fund will receive from or use in its normal investment activities. The fund may also use contracts to hedge against declines in the value of foreign currency denominated securities due to

Table of Contents

Notes to Financial Statements (unaudited) continued

unfavorable exchange rate movements. For non-hedging purposes, the fund may enter into contracts with the intent of changing the relative exposure of the fund's portfolio of securities to different currencies to take advantage of anticipated exchange rate changes.

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

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

Swap Agreements During the period the fund entered into swap agreements. Certain types of swaps (cleared swaps) are required to be centrally cleared under provisions of the Dodd-Frank Regulatory Reform Bill. In a cleared swap transaction, the swap agreement is novated to a central counterparty (the clearinghouse) immediately following execution of the swap contract with an executing broker. Thereafter, throughout the term of the cleared swap, the fund interfaces indirectly with the clearinghouse through a clearing broker.

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

Risks related to swap agreements include the possible lack of a liquid market, unfavorable market and interest rate movements of the underlying instrument and the failure of the counterparty to perform under the terms of the agreements. To address counterparty risk, swap agreements are limited to only highly-rated counterparties. For

Table of Contents

Notes to Financial Statements (unaudited) continued

uncleared swaps, that risk is further reduced by having an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and by the posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement. Although not covered by an ISDA Master Agreement, the fund's counterparty risk due to cleared swaps is mitigated by the clearinghouses' margining requirements and financial safeguards in the event of a clearing broker default.

The fund entered into credit default swap agreements in order to manage its exposure to the market or certain sectors of the market, to reduce its credit risk exposure to defaults of corporate and sovereign issuers or to create exposure to corporate or sovereign issuers to which it is not otherwise exposed. In a credit default swap agreement, the protection buyer can make an upfront payment and will make a stream of payments to the protection seller based on a fixed percentage applied to the agreement notional amount in exchange for the right to receive a specified return upon the occurrence of a defined credit event on the reference obligation (which may be either a single security or a basket of securities issued by corporate or sovereign issuers) and, with respect to the rare cases where physical settlement applies, the delivery by the buyer to the seller of a defined deliverable obligation. Although agreement-specific, credit events generally consist of a combination of the following: bankruptcy, failure to pay, restructuring, obligation acceleration, obligation default, or repudiation/moratorium, each as defined in the 2003 ISDA Credit Derivatives Definitions as amended by the relevant agreement. Restructuring is generally not applicable when the reference obligation is issued by a North American corporation and obligation acceleration, obligation default, or repudiation/moratorium are generally only applicable when the reference obligation is issued by a sovereign entity or an entity in an emerging country. Upon determination of the final price for the deliverable obligation (or upon delivery of the deliverable obligation in the case of physical settlement), the difference between the value of the deliverable obligation and the swap agreement's notional amount is recorded as realized gain or loss on swap agreements in the Statement of Operations.

Credit default swap agreements are considered to have credit-risk-related contingent features since they trigger payment by the protection seller to the protection buyer upon the occurrence of a defined credit event. The maximum amount of future, undiscounted payments that the fund, as protection seller, could be required to make is equal to the swap agreement's notional amount. The protection seller's payment obligation would be offset to the extent of the value of the agreement's deliverable obligation. At May 31, 2014, the fund did not hold any credit default swap agreements at an unrealized loss where it is the protection seller.

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

Table of Contents

Notes to Financial Statements (unaudited) continued

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

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

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

Investment Transactions and Income Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and discount is amortized or accreted for financial statement purposes in accordance with U.S. generally accepted accounting principles. The fund earns certain fees in connection with its floating rate loan purchasing activities. These fees are in addition to interest payments earned and may include amendment fees, commitment fees, facility fees, consent fees, and prepayment fees. Commitment fees are recorded on an accrual basis as income in the accompanying financial statements. Dividends received in cash are recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded when the fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date.

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, 2014, is shown as a reduction of total expenses in the Statement of Operations.

Tax Matters and Distributions The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. As a result, no provision for federal income tax is required. The fund's federal tax returns, when filed, will remain subject to examination by the Internal Revenue Service for a three

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

year period. Management has analyzed the fund's tax positions taken on federal and state tax returns for all open tax years and does not believe that there are any uncertain tax positions that require recognition of a tax liability. Foreign taxes, if any, have been accrued by the fund in the accompanying financial statements in accordance with the applicable foreign tax law. Foreign income taxes may be withheld by certain countries in which the fund invests. Additionally, capital gains realized by the fund on securities issued in or by certain foreign countries may be subject to capital gains tax imposed by those countries.

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

Book/tax differences primarily relate to amortization and accretion of debt securities.

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:

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

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

| | |
|--|--------------|
| As of 5/31/14 | |
| Cost of investments | \$87,586,102 |
| Gross appreciation | 3,261,010 |
| Gross depreciation | (752,044) |
| Net unrealized appreciation (depreciation) | \$2,508,966 |
| As of 11/30/13 | |
| Undistributed ordinary income | 85,685 |
| Capital loss carryforwards | (14,536,659) |
| Post-October capital loss deferral | (415,008) |
| Other temporary differences | (17,344) |
| Net unrealized appreciation (depreciation) | 2,258,608 |

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 for fund fiscal years beginning after November 30, 2011 may be carried forward indefinitely, and their character is retained as short-term and/or

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

long-term losses (post-enactment losses). Previously, net capital losses were carried forward for eight years and treated as short-term losses (pre-enactment losses). As a transition rule, the Act requires that all post-enactment net capital losses be used before pre-enactment net capital losses.

As of November 30, 2013, the fund had capital loss carryforwards available to offset future realized gains. Such pre-enactment losses expire as follows:

| | |
|----------|----------------|
| 11/30/14 | \$(1,121,832) |
| 11/30/16 | (5,956,332) |
| 11/30/17 | (6,983,828) |
| 11/30/18 | (474,667) |
| Total | \$(14,536,659) |

(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, 2014 was equivalent to an annual effective rate of 1.03% 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 total fund operating expenses do not exceed 1.34% annually of the fund's average daily net assets. This written agreement will continue until modified by the fund's Board of Trustees, but such agreement will continue at least until November 30, 2015. For the six months ended May 31, 2014, this reduction amounted to \$10,757 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, 2014, these fees paid to MFSC amounted to \$1,445.

Administrator MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of \$17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the six months ended May 31, 2014 was equivalent to an annual effective rate of 0.0290% 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

Table of Contents

Notes to Financial Statements (unaudited) continued

compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS and MFSC.

Other 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, 2014, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were \$202 and are included in Miscellaneous expense in the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of \$60, which is included in the 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. Effective May 31, 2014, Ms. Griffin resigned as Assistant ICCO and the service agreement between the funds and Griffin Compliance LLC was terminated.

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

(4) Portfolio Securities

For the six months ended May 31, 2014, purchases and sales of investments, other than purchased option transactions and short-term obligations, aggregated \$23,837,058 and \$23,933,480, 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, 2014, there were no transactions in fund shares. Other transactions in fund shares were as follows:

| | Six months ended 5/31/14 | | Year ended 11/30/13 | |
|--|-----------------------------|--------|------------------------|-----------|
| | Shares | Amount | Shares | Amount |
| Shares issued to shareholders in reinvestment of distributions | | \$ | 43,147 | \$136,596 |

(6) Loan Agreement

The fund has a credit agreement with a bank for a revolving secured line of credit that can be drawn upon up to \$25,000,000. This credit agreement matured on January 10, 2014. The Trustees approved the renewal of the revolving secured line of credit up to

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

the amount of \$25,000,000 on substantially similar terms for an additional 364 day period which matures on January 9, 2015. At May 31, 2014, the fund had outstanding borrowings under this agreement in the amount of \$22,000,000, which are secured by a lien on the fund's assets. The loan's carrying value in the fund's Statement of Assets and Liabilities approximates its fair value. The loan value as of the reporting date is considered Level 2 under the fair value hierarchy. 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 \$90,598 during the period in connection with this loan agreement. The fund paid a commitment fee of \$1,498 based on the average daily unused portion of the revolving secured line of credit which is included in Miscellaneous expense in the Statement of Operations. For the six months ended May 31, 2014, the average loan balance was \$22,000,000 at a weighted average annual interest rate of 0.83%. The fund is subject to certain covenants including, but not limited to, requirements with respect to asset coverage, portfolio diversification and liquidity.

(7) Transactions in Underlying Affiliated Funds-Affiliated Issuers

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

| Underlying Affiliated Fund | Beginning Shares/Par Amount | Acquisitions Shares/Par Amount | Dispositions Shares/Par Amount | Ending Shares/Par Amount |
|---|--|---|---|---|
| MFS Institutional Money Market Portfolio | 2,662,511 | 12,898,230 | (11,591,232) | 3,969,509 |

| Underlying Affiliated Fund | Realized Gain (Loss) | Capital Gain Distributions | Dividend Income | Ending Value |
|---|---------------------------------|---------------------------------------|----------------------------|-------------------------|
| MFS Institutional Money Market Portfolio | \$ | \$ | \$1,150 | \$3,969,509 |

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying statement of assets and liabilities, including the portfolio of investments, of MFS Intermediate High Income Fund (the Fund) as of May 31, 2014, and the related statements of operations, changes in net assets, cash flows, and financial highlights for the six-month period ended May 31, 2014. These interim financial statements and the 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, 2013, and the financial highlights for each of the five years in the period ended November 30, 2013, and in our report dated January 15, 2014, we expressed an unqualified opinion on such statement of changes in net assets and the financial highlights.

Boston, Massachusetts

July 16, 2014

Table of Contents

PROXY VOTING POLICIES AND INFORMATION

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

Information regarding how the fund voted proxies relating to portfolio securities during the twelve-month period ended June 30, 2013 is available without charge by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at <http://www.sec.gov>.

QUARTERLY PORTFOLIO DISCLOSURE

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

Public Reference Room

Securities and Exchange Commission

100 F Street, NE, Room 1580

Washington, D.C. 20549

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

FURTHER INFORMATION

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

Table of Contents

CONTACT US

TRANSFER AGENT, REGISTRAR, AND

DIVIDEND DISBURSING AGENT

CALL

1-800-637-2304

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

WRITE

Computershare Trust Company, N.A.

P.O. Box 43078

Providence, RI 02940-3078

New York Stock Exchange Symbol: **CIF**

Table of Contents

ITEM 2. CODE OF ETHICS.

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**

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

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

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.

Table of Contents

- (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.

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.

Table of Contents

Notice

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

Table of Contents

SIGNATURES

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

Registrant MFS INTERMEDIATE HIGH INCOME FUND

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

Date: July 16, 2014

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

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

(Principal Executive Officer)

Date: July 16, 2014

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

and Accounting Officer)

Date: July 16, 2014

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