

MFS SPECIAL VALUE TRUST  
Form N-CSR  
December 27, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM N-CSR**  
**CERTIFIED SHAREHOLDER REPORT OF**  
**REGISTERED MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-5912

**MFS SPECIAL VALUE TRUST**

(Exact name of registrant as specified in charter)

**500 Boylston Street, Boston, Massachusetts 02116**

(Address of principal executive offices) (Zip code)

**Susan S. Newton**

**Massachusetts Financial Services Company**

**500 Boylston Street**

**Boston, Massachusetts 02116**

(Name and address of agents for service)

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

Date of fiscal year end: October 31

Date of reporting period: October 31, 2011

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**ITEM 1. REPORTS TO STOCKHOLDERS.**

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# MFS® Special Value Trust

## ANNUAL REPORT

*October 31, 2011*

MFV-ANN

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Managed Distribution Policy Disclosure

The MFS Special Value Trust's (the fund) Board of Trustees has adopted a managed distribution policy. The fund seeks to pay monthly distributions based on an annual rate of 10.00% of the fund's average monthly net asset value. The fund's total return in relation to changes in net asset value is presented in the Financial Highlights. You should not draw any conclusions about the fund's investment performance from the amount of the current distribution or from the terms of the fund's managed distribution policy. The Board may amend or terminate the managed distribution policy at any time without prior notice to fund shareholders; however, at this time, there are no reasonably foreseeable circumstances that might cause the termination of the managed distribution policy.

With each distribution, the fund will issue a notice to shareholders and an accompanying press release which will provide detailed information regarding the amount and composition of the distribution and other related information. In accordance with the amounts and sources of distributions reported in the Notice to Shareholders the Sources of Distributions are only estimates and are not being provided for tax reporting purposes. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the fund's investment experience during the remainder of its fiscal year and may be subject to changes based on tax regulations. The fund will send you a Form 1099-DIV for the calendar year that will tell you how to report these distributions for federal income tax purposes.

Under a managed distribution policy the fund may at times distribute more than its net investment income and net realized capital gains; therefore, a portion of your distribution may result in a return of capital. A return of capital may occur, for example, when some or all of the money that you invested in the fund is paid back to you. A return of capital does not necessarily reflect the fund's investment performance and should not be confused with yield or income.

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**MFS® SPECIAL VALUE TRUST**

New York Stock Exchange Symbol: **MFV**

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

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## LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholders:

We are indeed living through some volatile times. Economic uncertainty is everywhere, as it seems no place in the world has been unmoved by crisis this year. We have seen a devastating earthquake and tsunami that have led to disruptions in the Japanese markets and supply chains. Protests have changed the face of the Middle East and left in their wake

lingering tensions and resultant higher oil prices. We have seen debt limits tested in Europe and the United States and policymakers grappling to craft often unpopular monetary and fiscal responses at a time when consumers and businesses struggle with what appears to be a slowing global economy. On top of all of that, we have seen long-term U.S. debt lose its Standard & Poor's AAA rating.

When markets become volatile, managing risk becomes a top priority for investors and their

advisors. At MFS® risk management is foremost in our minds in all market climates. Our analysts and portfolio managers keep risks firmly in mind when evaluating securities. Additionally, we have a team of quantitative analysts that measures and assesses the risk profiles of our portfolios and securities on an ongoing basis. The chief investment risk officer, who oversees the team, reports directly to the firm's president and chief investment officer so the risk associated with each portfolio can be assessed objectively and independently of the portfolio management team.

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

Respectfully,

**Robert J. Manning**

*Chairman and Chief Executive Officer*

*MFS Investment Management®*

*December 16, 2011*

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

**Table of Contents****PORTFOLIO COMPOSITION****Portfolio structure (i)****Top ten holdings (i)**

Exxon Mobil	1.3%
Ford Motor Credit Company, 12.0% 2015	1.3%
Thermo Fisher Scientific	1.2%
Noble Energy, Inc.	1.0%
CIT Group Inc.	1.0%
Danaher Corp.	1.0%
Apache Corp.	1.0%
Vodafone Group PLC	0.9%
Viacom, Inc., B	0.8%
Airgas Inc.	0.8%

**Equity sectors**

Financial Services	5.1%
Energy	3.8%
Utilities & Communications	2.7%
Health Care	2.5%
Basic Materials	2.3%
Leisure	1.8%
Retailing	1.5%
Consumer Staples	1.2%
Autos & Housing	1.0%
Industrial Goods & Services	1.0%
Transportation	0.6%
Technology	0.5%

**Fixed income sectors (i)**

High Yield Corporates	67.0%
Emerging Markets Bonds	4.3%
High Grade Corporates	2.4%
Commercial Mortgage-Backed Securities	1.4%
Floating Rate Loans	0.5%
Non-U.S. Government Bonds	0.1%
Collateralized Debt Obligations (o)	0.0%

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*Portfolio Composition continued*

<b>Composition including fixed income credit quality (a)(i)</b>	
A	0.4%
BBB	2.4%
BB	16.3%
B	35.8%
CCC	18.0%
CC	0.9%
C	0.4%
D	0.5%
Not Rated	1.0%
Non-Fixed Income	24.0%
Cash & Other	0.3%

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

(i) For purposes of this presentation, the components include the market value of securities, and reflect the impact of the equivalent exposure of derivative positions, if applicable. These amounts may be negative from time to time. The bond component will include any accrued interest amounts. Equivalent exposure is a calculated amount that translates the derivative position into a reasonable approximation of the amount of the underlying asset that the portfolio would have to hold at a given point in time to have the same price sensitivity that results from the portfolio's ownership of the derivative contract. When dealing with derivatives, equivalent exposure is a more representative measure of the potential impact of a position on portfolio performance than market value. Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.

(o) Less than 0.1%.

Percentages are based on net assets as of 10/31/11.

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



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## MANAGEMENT REVIEW

### Summary of Results

MFS Special Value Trust (the fund) is a closed-end fund and maintains a portfolio that includes investments in fixed income and equity securities.

For the twelve months ended October 31, 2011, the MFS Special Value Trust provided a total return of 2.81%, at net asset value. This compares with a return of 5.16% for the fund's benchmark, the Barclays Capital U.S. High-Yield Corporate Bond 2% Issuer Capped Index. Effective September 15, 2011 the Barclays Capital U.S. High-Yield Corporate Bond 2% Issuer Capped Index replaced the Barclays Capital U.S. High-Yield Corporate Bond Index as the fund's primary benchmark. The Barclays Capital U.S. High-Yield Corporate Bond Index generated a return of 5.17% over the reporting period. The fund's other benchmark, the MFS Special Value Trust Blended Index - Current (the Blended Index), generated a return of 5.60%. The Blended Index reflects the blended returns of various equity and fixed income market indices, with percentage allocations to each index designed to resemble the allocations of the fund. The market indices and related percentage allocations used to compile the Blended Index are set forth in the Performance Summary.

### Market Environment

Early in the period, the U.S. Federal Reserve (the Fed) indicated that further monetary loosening would be forthcoming if macroeconomic activity did not show signs of improvement. The prospects for, and subsequent implementation of, more easing by the Fed improved market sentiment and drove risk-asset prices markedly higher. The December agreement on a surprisingly large (relative to expectations) expansionary U.S. fiscal package also boosted sentiment. During the subsequent several months, the renewed positive market sentiment, coupled with better indications of global macroeconomic activity, pushed many asset valuations to post-crisis highs. At the same time, global sovereign bond yields rose amidst the more risk-seeking environment.

However, towards the middle of the period, a weakening macroeconomic backdrop and renewed concerns over Greek debt sustainability began to challenge equity valuations and pushed high-quality sovereign bond yields lower. Towards the end of the reporting period, uncertainty in financial markets continued to increase. European policy makers debated and disagreed over elements of a new Greek bailout package, while Spanish and Italian bond yields increased markedly signaling a widening European crisis. In the U.S., concerns about sovereign debt default and the long-term sustainability of the trend in U.S. fiscal policy resulted in one agency downgrading U.S. credit quality. Amidst this turmoil, global equity markets declined sharply. As a result

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### *Management Review continued*

of these developments, global consumer and producer sentiment indicators fell precipitously, highly-rated sovereign bond yields hit multi-decade lows and, despite a more mixed picture emanating from the hard data, markets grew increasingly worried about a return to global recession.

### **Detractors from Performance**

Within the fixed income portion of the fund, credit quality, particularly the fund's greater exposure to CCC rated securities (r) held back performance relative to the Barclays Capital U.S. High-Yield Corporate Bond Index. A higher relative exposure to debt within the *financial* sector also detracted from relative results. Holdings of individual debt securities that hurt relative returns included aircraft manufacturer Hawker Beechcraft, publishing company American Media, and cement producer Cemex España S.A. (Spain).

Stock selection in the *consumer staples* sector hurt performance relative to the equity portion of the Blended Index. The market indices and related percentage allocations used to compile the Blended Index are set forth in the Performance Summary. The fund's holdings of cosmetics and beauty supply company Avon Products (b) were among the fund's top relative detractors over the reporting period.

Stock selection in the *health care, utilities & communications, technology, and financial services* sectors were other negative factors for relative performance. In the *health care* sector, the fund's holdings of life sciences supply company Thermo Fisher Scientific hindered relative results. There were no individual detractors in the *utilities & communications* sector that were among the fund's top relative detractors for the reporting period. In *technology*, the fund's timing of ownership in shares of computer products and services provider Hewlett Packard (h), and not holding network equipment company Cisco Systems, dampened relative performance. In the *financial services* sector, the fund's holdings of investment banking firm Goldman Sachs, investment banking and brokerage firm Charles Schwab, and the timing of the fund's ownership of banking firm TCF Financial, held back relative returns.

Stocks in other sectors that dampened relative results included the fund's holding of toy maker Hasbro, not holding strong-performing integrated energy company Chevron, and the timing of ownership in shares of computer and electronics retail giant Best Buy (h).

### **Contributors to Performance**

Within the fixed income portion of the fund, the return from yield, which was greater than that of the Barclays Capital U.S. High-Yield Corporate Bond Index, was a key contributor to relative performance. A lesser exposure to BB rated securities (r) also helped relative results. Top contributing securities to the fund's relative returns included the debt of financial services firm Bank of America and payment processing company First Data Corporation.

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*Management Review continued*

Stock selection in the *industrial goods & services* sector boosted performance relative to the equity portion of the Blended Index. The market indices and related percentage allocations used to compile the Blended Index are set forth in the Performance Summary. There were no significant individual contributors to relative performance within this sector.

Elsewhere, the fund's holdings of integrated oil and gas company Exxon Mobil, industrial, medical, and specialty gases distributor Airgas, and diversified technology products and services company International Business Machines aided relative returns. The fund's timing in the ownership of global payments technology company Visa, tobacco products manufacturer Reynolds American, integrated energy company EQT Corp., natural gas supplier AGL Resources, media company Viacom, and energy supply company American Electric Power supported relative results. Not holding shares of financial services firm Citigroup also helped.

Respectfully,

William Adams  
Portfolio Manager

David Cole  
Portfolio Manager

Brooks Taylor  
Portfolio Manager

*Note to Shareholders: Effective May 1, 2011, William Adams replaced John Addeo as a co-manager of the fund.*

(b) Security is not a benchmark constituent.

(h) Security was not held in the portfolio at period end.

(r) Bonds rated BBB, Baa, or higher are considered investment grade; bonds rated BB, Ba, or below are considered non-investment grade. The source for bond quality ratings is Moody's Investors Service, Standard & Poor's and Fitch, Inc. and are applied using the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned.

Ratings are shown in the S&P and Fitch scale (e.g., AAA). For securities which are not rated by any of the three agencies, the security is considered Not Rated. The views expressed in this report are those of the portfolio managers only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or an indication of trading intent on behalf of any MFS portfolio. References to specific securities are not recommendations of such securities, and may not be representative of any MFS portfolio's current or future investments.

**Table of Contents****PERFORMANCE SUMMARY** THROUGH 10/31/11

The following chart represents the fund's historical performance in comparison to its benchmark(s). Investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than their original cost; current performance may be lower or higher than quoted. The performance shown does not reflect the deduction of taxes, if any, that a shareholder would pay on fund distributions or the sale of fund shares. Performance data shown represents past performance and is no guarantee of future results.

**Price Summary for MFS Special Value Trust**

Year Ended 10/31/11

	Date	Price
Net Asset Value	10/31/11	\$6.73
	10/31/10	\$7.23
New York Stock Exchange Price	10/31/11	\$6.86
	4/07/11 (high) (t)	\$8.25
	8/08/11 (low) (t)	\$6.30
	10/31/10	\$7.95

**Total Returns vs Benchmarks**

Year Ended 10/31/11

MFS Special Value Trust at	
New York Stock Exchange Price (r)	(4.67)%
Net Asset Value (r)	2.81%
Barclays Capital U.S. High-Yield Corporate Bond 2% Issuer Capped Index (f)(s)	5.16%
Barclays Capital U.S. High-Yield Corporate Bond Index (f)(s)	5.17%
MFS Special Value Trust Blended Index - Current (f)(s)(y)	5.60%
MFS Special Value Trust Blended Index - Prior (f)(s)(x)	5.60%

(f) Source: FactSet Research Systems Inc.

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

(s) Effective September 15, 2011, the Barclays Capital U.S. High-Yield Corporate Bond 2% Issuer Capped Index replaced the Barclays U.S. High-Yield Corporate Bond Index as the fund's primary benchmark and the MFS Special Value Trust Blended Index - Current replaced the MFS Special Value Trust Blended Index - Prior as the fund's other benchmark as the new benchmarks more appropriately align with the fund's investment strategy.

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*Performance Summary continued*

(t) For the period November 1, 2010 through October 31, 2011.

(x) MFS Special Value Trust Blended Index Prior is at a point in time and allocations during the period can change. As of October 31, the blended index was comprised of 57.50% Barclays Capital U.S. High-Yield Corporate Bond Index, 35% Russell 1000 Value Index, and 7.50% JPMorgan Emerging Markets Bond Index Global.

(y) MFS Special Value Trust Blended Index Current is at a point in time and allocations during the period can change. As of October 31, the blended index was comprised of 57.50% Barclays Capital U.S. High-Yield Corporate Bond 2% Issuer Capped Index, 35% Russell 1000 Value Index, and 7.50% JPMorgan Emerging Markets Bond Index Global.

**Benchmark Definitions**

Barclays Capital U.S. High-Yield Corporate Bond 2% Issuer Capped Index is a component of the Barclays Capital U.S. High-Yield Corporate Bond Index, which measures performance of non-investment grade, fixed rate debt. The index limits the maximum exposure to any one issuer to 2%.

Barclays Capital U.S. High-Yield Corporate Bond Index a market capitalization-weighted index that measures the performance of non-investment grade, fixed rate debt. Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded.

JPMorgan Emerging Markets Bond Index Global measures the performance of U.S.-dollar- denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds. This index generated a total return of 4.05% for the year ended October 31, 2011.

Russell 1000 Value Index constructed to provide a comprehensive barometer for the value securities in the large-cap segment of the U.S. equity universe. Companies in this index generally have lower price-to-book ratios and lower forecasted growth values. This index generated a total return of 6.16% for the year ended October 31, 2011.

It is not possible to invest directly in an index.

**Notes to Performance Summary**

The fund's shares may trade at a discount or premium to net asset value. Shareholders do not have the right to cause the fund to repurchase their shares at net asset value. When fund shares trade at a premium, buyers pay

more than the net asset value underlying fund shares, and shares purchased at a premium would receive less than the amount paid for them in the event of the fund's liquidation. As a result, the total return that is calculated based on the net asset value and New York Stock Exchange price can be different.

The fund's monthly distributions may include a return of capital to shareholders to the extent that the fund's net investment income and net capital gains are insufficient to meet the fund's target annual distribution rate.

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

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*Performance Summary continued*

extent the return of capital exceeds such basis, will be treated as gain to the shareholder from a sale of shares. It may also result in a recharacterization of what economically represents a return of capital to ordinary income in those situations where a fund has long term capital gains and a capital loss carryforward. Returns of shareholder capital have the effect of reducing the fund's assets and increasing the fund's expense ratio.

The fund's target annual distribution rate is calculated based on an annual rate of 10% of the fund's average monthly net asset value, not a fixed share price, and the fund's dividend amount will fluctuate with changes in the fund's average monthly net assets.

Performance results do not include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles and may differ from amounts reported in the financial highlights.

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

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

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**INVESTMENT OBJECTIVE, PRINCIPAL  
INVESTMENT STRATEGIES AND RISKS  
OF THE FUND**

**Investment Objective**

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

**Principal Investment Strategies**

MFS (Massachusetts Financial Services Company, the fund's investment adviser) normally invests the fund's assets, including borrowings for investment purposes, primarily in debt instruments.

MFS normally invests the fund's assets in U.S. Government securities, foreign government securities, mortgage-backed and other asset-backed securities of U.S. and foreign issuers, corporate bonds of U.S. and/or foreign issuers, debt instruments of issuers located in emerging market countries, and/or equity securities. MFS allocates the fund's assets across these categories with a view toward broad diversification across and within these categories.

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

The fund seeks to make a monthly distribution at an annual fixed rate of 10% of the fund's average monthly net asset value.

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

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

If approved by the fund's Board of Trustees, the fund may use leverage through the issuance of preferred shares, borrowing from banks, and/or other

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

methods of creating leverage, and investing the proceeds pursuant to its investment strategies.

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

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

**Principal Risks**

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

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

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

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

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

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

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

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

Please see the fund's registration statement for further information regarding these and other risk considerations. A copy of the fund's registration statement



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

on Form N-2 is available on the EDGAR database on the Securities and Exchange Commission's Internet Web site at <http://sec.gov>.

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**PORTFOLIO MANAGERS PROFILES**

William Adams	Investment Officer of MFS; employed in the investment management area of MFS since 2009. Portfolio Manager of the Fund since May 2011.
David Cole	Investment Officer of MFS; employed in the investment management area of MFS since 2004. Portfolio manager of the Fund since 2006.
Brooks Taylor	Investment Officer of MFS; employed in the investment management area of MFS since 1996. Portfolio manager of the Fund since 2009.

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## DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

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

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

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

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

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10/31/11

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

<b>Bonds - 73.4%</b>		
<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Aerospace - 1.2%</b>		
Bombardier, Inc., 7.5%, 2018 (n)	\$ 105,000	\$ 114,450
Bombardier, Inc., 7.75%, 2020 (n)	55,000	60,500
CPI International, Inc., 8%, 2018	115,000	101,775
Hawker Beechcraft Acquisition Co. LLC, 8.5%, 2015	208,000	74,880
Heckler & Koch GmbH, 9.5%, 2018 (z)	EUR 100,000	107,929
Huntington Ingalls Industries, Inc., 7.125%, 2021 (n)	\$ 110,000	111,375
		\$ 570,909
<b>Apparel Manufacturers - 0.2%</b>		
Hanesbrands, Inc., 8%, 2016	\$ 50,000	\$ 54,000
Hanesbrands, Inc., 6.375%, 2020	60,000	60,600
		\$ 114,600
<b>Asset-Backed &amp; Securitized - 1.4%</b>		
Banc of America Commercial Mortgage, Inc., FRN, 6.437%, 2051 (z)	\$ 328,951	\$ 157,010
Citigroup Commercial Mortgage Trust, FRN, 5.697%, 2049	220,000	83,768
Falcon Franchise Loan LLC, FRN, 5.12%, 2025 (i)(z)	199,676	14,437
JPMorgan Chase Commercial Mortgage Securities Corp., B, FRN, 5.738%, 2049	142,189	57,443
JPMorgan Chase Commercial Mortgage Securities Corp., C, FRN, 5.738%, 2049	217,049	74,382
JPMorgan Chase Commercial Mortgage Securities Corp., C, FRN, 6.058%, 2051	95,000	41,796
JPMorgan Chase Commercial Mortgage Securities Corp., D, FRN, 5.738%, 2049	595,809	150,136
Morgan Stanley Capital I, Inc., FRN, 1.383%, 2039 (i)(z)	369,857	8,322
Preferred Term Securities XII Ltd., CDO, 0%, 2033 (a)(e)(z)	225,000	68
Preferred Term Securities XVI Ltd., CDO, 0%, 2035 (a)(e)(z)	300,000	30
Preferred Term Securities XVII Ltd., CDO, 0%, 2035 (a)(e)(z)	187,000	19
Wachovia Bank Commercial Mortgage Trust, FRN, 5.685%, 2047	142,497	28,499
Wachovia Bank Commercial Mortgage Trust, FRN, 5.745%, 2047	89,972	15,295
		\$ 631,205
<b>Automotive - 2.8%</b>		
Accuride Corp., 9.5%, 2018	\$ 165,000	\$ 161,288
Allison Transmission, Inc., 7.125%, 2019 (n)	100,000	97,000
Chrysler Group LLC/CG Co-Issuer, Inc., 8.25%, 2021 (n)	200,000	183,000
Ford Motor Co., 7.45%, 2031	75,000	89,250

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
<b>Automotive - continued</b>		
Ford Motor Credit Co. LLC, 12%, 2015	\$ 445,000	\$ 558,530
Jaguar Land Rover PLC, 8.125%, 2021 (n)	150,000	147,750
Lear Corp., 8.125%, 2020	40,000	43,800
		\$ 1,280,618
<b>Basic Industry - 0.2%</b>		
Trimas Corp., 9.75%, 2017	\$ 100,000	\$ 107,000
<b>Broadcasting - 4.4%</b>		
Allbritton Communications Co., 8%, 2018	\$ 90,000	\$ 90,450
AMC Networks, Inc., 7.75%, 2021 (n)	71,000	77,035
Clear Channel Communications, Inc., 9%, 2021	187,000	166,430
EH Holding Corp., 7.625%, 2021 (n)	70,000	72,450
Gray Television, Inc., 10.5%, 2015	75,000	70,875
Intelsat Bermuda Ltd., 11.25%, 2017	145,000	143,913
Intelsat Jackson Holdings Ltd., 9.5%, 2016	130,000	135,688
Intelsat Jackson Holdings Ltd., 11.25%, 2016	90,000	94,950
LBI Media Holdings, Inc., 11%, 2013	140,000	124,600
LBI Media, Inc., 8.5%, 2017 (z)	90,000	58,950
Liberty Media Corp., 8.5%, 2029	95,000	92,150
Local TV Finance LLC, 9.25%, 2015 (p)(z)	227,527	211,600
Newport Television LLC, 13%, 2017 (n)(p)	107,015	96,492
Nexstar Broadcasting Group, Inc., 8.875%, 2017	50,000	50,750
Sinclair Broadcast Group, Inc., 9.25%, 2017 (n)	55,000	59,950
Sinclair Broadcast Group, Inc., 8.375%, 2018	15,000	15,450
SIRIUS XM Radio, Inc., 13%, 2013 (n)	65,000	73,938
SIRIUS XM Radio, Inc., 8.75%, 2015 (n)	105,000	116,288
SIRIUS XM Radio, Inc., 7.625%, 2018 (n)	75,000	80,813
Univision Communications, Inc., 6.875%, 2019 (n)	25,000	24,375
Univision Communications, Inc., 7.875%, 2020 (n)	80,000	80,800
Univision Communications, Inc., 8.5%, 2021 (n)	130,000	117,000
		\$ 2,054,947
<b>Brokerage &amp; Asset Managers - 0.8%</b>		
E*TRADE Financial Corp., 7.875%, 2015	\$ 155,000	\$ 157,519
E*TRADE Financial Corp., 12.5%, 2017	190,000	218,975
		\$ 376,494
<b>Building - 1.3%</b>		
Associated Materials LLC, 9.125%, 2017	\$ 30,000	\$ 27,300
Building Materials Holding Corp., 7%, 2020 (n)	45,000	47,700
CEMEX S.A., 9.25%, 2020	295,000	233,788
Masonite International Corp., 8.25%, 2021 (n)	55,000	54,313

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
<b>Building - continued</b>		
Nortek, Inc., 10%, 2018 (n)	\$ 55,000	\$ 53,900
Nortek, Inc., 8.5%, 2021 (n)	105,000	93,188
Owens Corning, 9%, 2019	50,000	59,142
Roofing Supply Group LLC/Roofing Supply Finance, Inc., 8.625%, 2017 (n)	50,000	50,750
		\$ 620,081
<b>Business Services - 1.1%</b>		
Ceridian Corp., 12.25%, 2015 (p)	\$ 55,000	\$ 46,750
iGate Corp., 9%, 2016 (n)	145,000	144,275
Interactive Data Corp., 10.25%, 2018	150,000	161,250
SunGard Data Systems, Inc., 10.25%, 2015	125,000	129,688
SunGard Data Systems, Inc., 7.375%, 2018	45,000	46,013
		\$ 527,976
<b>Cable TV - 2.0%</b>		
Bresnan Broadband Holdings LLC, 8%, 2018 (n)	\$ 25,000	\$ 25,875
Cablevision Systems Corp., 8.625%, 2017	70,000	75,950
Cablevision Systems Corp., 8%, 2020	40,000	42,200
CCH II LLC, 13.5%, 2016	205,000	236,263
CCO Holdings LLC, 7.875%, 2018	25,000	26,625
CCO Holdings LLC, 8.125%, 2020	95,000	102,838
Cequel Communications Holdings, 8.625%, 2017 (n)	60,000	62,700
Insight Communications Co., Inc., 9.375%, 2018 (n)	25,000	28,375
Mediacom LLC, 9.125%, 2019	105,000	110,513
Videotron LTEE, 6.875%, 2014	27,000	27,203
Virgin Media Finance PLC, 9.5%, 2016	100,000	111,500
Ziggo Bond Co. B.V., 8%, 2018 (n)	EUR 50,000	70,569
		\$ 920,611
<b>Chemicals - 2.4%</b>		
Celanese U.S. Holdings LLC, 6.625%, 2018	\$ 65,000	\$ 70,200
Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, 8.875%, 2018	120,000	118,500
Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, 9%, 2020	25,000	21,813
Huntsman International LLC, 8.625%, 2021	95,000	97,613
Lyondell Chemical Co., 11%, 2018	227,304	253,160
Momentive Performance Materials, Inc., 12.5%, 2014	163,000	172,780
Momentive Performance Materials, Inc., 11.5%, 2016	167,000	140,280
Nalco Co., 8.25%, 2017	30,000	33,300
Polypore International, Inc., 7.5%, 2017	100,000	102,000
Solutia, Inc., 7.875%, 2020	85,000	90,950
		\$ 1,100,596

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*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
<b>Computer Software - 0.7%</b>		
Lawson Software, Inc., 11.5%, 2018 (n)	\$ 220,000	\$ 211,200
Syniverse Holdings, Inc., 9.125%, 2019	110,000	114,400
		\$ 325,600
<b>Computer Software - Systems - 0.7%</b>		
CDW LLC, 8.5%, 2019 (n)	\$ 145,000	\$ 140,650
CDW LLC/CDW Finance Corp., 12.535%, 2017	30,000	28,800
DuPont Fabros Technology, Inc., REIT, 8.5%, 2017	95,000	101,650
Eagle Parent, Inc., 8.625%, 2019 (n)	55,000	51,425
		\$ 322,525
<b>Conglomerates - 1.2%</b>		
Amsted Industries, Inc., 8.125%, 2018 (n)	\$ 155,000	\$ 163,525
Dynacast International LLC, 9.25%, 2019 (z)	75,000	69,000
Griffon Corp., 7.125%, 2018	150,000	142,875
Pinafore LLC, 9.25%, 2018 (n)	162,000	176,580
		\$ 551,980
<b>Construction - 0.0%</b>		
Empresas ICA Sociedad Controladora S.A. de C.V., 8.9%, 2021 (n)	\$ 3,000	\$ 2,760
<b>Consumer Products - 0.8%</b>		
Easton-Bell Sports, Inc., 9.75%, 2016	\$ 85,000	\$ 91,056
Elizabeth Arden, Inc., 7.375%, 2021	90,000	91,125
Libbey Glass, Inc., 10%, 2015	77,000	82,005
Visant Corp., 10%, 2017	95,000	92,150
		\$ 356,336
<b>Consumer Services - 0.6%</b>		
Realogy Corp., 11.5%, 2017	\$ 100,000	\$ 81,000
Service Corp. International, 7%, 2019	200,000	210,000
		\$ 291,000
<b>Containers - 1.1%</b>		
Exopack Holding Corp., 10%, 2018 (z)	\$ 70,000	\$ 68,600
Graham Packaging Co. LP/GPC Capital Corp., 9.875%, 2014	70,000	70,963
Packaging Dynamics Corp., 8.75%, 2016 (z)	40,000	40,600
Reynolds Group, 7.125%, 2019 (n)	175,000	178,500
Reynolds Group, 8.25%, 2021 (n)	115,000	105,513
Sealed Air Corp., 8.125%, 2019 (z)	15,000	16,275
Sealed Air Corp., 8.375%, 2021 (z)	15,000	16,238
		\$ 496,689

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
Defense Electronics - 0.3%		
Ducommun, Inc., 9.75%, 2018 (n)	\$ 98,000	\$ 100,940
ManTech International Corp., 7.25%, 2018	20,000	20,800
		\$ 121,740
Electrical Equipment - 0.2%		
Avaya, Inc., 9.75%, 2015	\$ 85,000	\$ 75,225
Electronics - 0.5%		
Freescale Semiconductor, Inc., 9.25%, 2018 (n)	\$ 110,000	\$ 119,075
Freescale Semiconductor, Inc., 8.05%, 2020	55,000	52,663
Sensata Technologies B.V., 6.5%, 2019 (n)	75,000	75,000
		\$ 246,738
Emerging Market Quasi-Sovereign - 0.7%		
Banco de la Provincia de Buenos Aires, 11.75%, 2015 (n)	\$ 124,000	\$ 114,700
OAO Gazprom, 9.625%, 2013	60,000	65,340
Petroleos de Venezuela S.A., 5.25%, 2017	250,000	154,063
		\$ 334,103
Emerging Market Sovereign - 0.2%		
Republic of Venezuela, 7%, 2038	\$ 160,000	\$ 91,600
Energy - Independent - 5.5%		
ATP Oil & Gas Corp., 11.875%, 2015	\$ 165,000	\$ 136,950
Berry Petroleum Co., 10.25%, 2014	85,000	96,263
Bill Barrett Corp., 9.875%, 2016	95,000	104,975
Bill Barrett Corp., 7.625%, 2019	25,000	26,438
Carrizo Oil & Gas, Inc., 8.625%, 2018	50,000	50,750
Chaparral Energy, Inc., 8.875%, 2017	170,000	175,100
Chesapeake Energy Corp., 6.875%, 2020	50,000	54,875
Concho Resources, Inc., 8.625%, 2017	25,000	27,250
Connacher Oil & Gas Ltd., 8.5%, 2019 (n)	90,000	65,700
Denbury Resources, Inc., 8.25%, 2020	110,000	121,550
Energy XXI Gulf Coast, Inc., 9.25%, 2017	165,000	175,725
EXCO Resources, Inc., 7.5%, 2018	150,000	148,500
Harvest Operations Corp., 6.875%, 2017 (n)	30,000	30,975
Hilcorp Energy I/Hilcorp Finance Co., 8%, 2020 (z)	40,000	43,000
Laredo Petroleum, Inc., 9.5%, 2019 (z)	65,000	68,900
Newfield Exploration Co., 6.625%, 2016	50,000	51,438
Oasis Petroleum, Inc., 6.5%, 2021	25,000	25,125
OGX Petroleo e Gas Participacoes S.A., 8.5%, 2018 (n)	220,000	217,800
OPTI Canada, Inc., 8.25%, 2014 (d)	355,000	230,750
Pioneer Natural Resources Co., 6.875%, 2018	15,000	16,220



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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
<b>Energy - Independent - continued</b>		
Pioneer Natural Resources Co., 7.5%, 2020	\$ 70,000	\$ 79,256
QEP Resources, Inc., 6.875%, 2021	80,000	86,400
Quicksilver Resources, Inc., 9.125%, 2019	245,000	260,925
SandRidge Energy, Inc., 8%, 2018 (n)	235,000	235,000
Whiting Petroleum Corp., 6.5%, 2018	20,000	20,850
		\$ 2,550,715
<b>Energy - Integrated - 0.3%</b>		
Cosan Ltd., 9.5%, 2014 (n)	\$ 105,000	\$ 118,125
<b>Engineering - Construction - 0.2%</b>		
B-Corp. Merger Sub, Inc., 8.25%, 2019 (n)	\$ 85,000	\$ 80,325
<b>Entertainment - 0.9%</b>		
AMC Entertainment, Inc., 8.75%, 2019	\$ 200,000	\$ 211,500
AMC Entertainment, Inc., 9.75%, 2020	75,000	72,750
Cinemark USA, Inc., 8.625%, 2019	75,000	81,375
NAI Entertainment Holdings LLC, 8.25%, 2017 (n)	45,000	47,363
		\$ 412,988
<b>Financial Institutions - 3.3%</b>		
CIT Group, Inc., 7%, 2017	\$ 480,000	\$ 480,000
CIT Group, Inc., 6.625%, 2018 (n)	119,000	124,355
Credit Acceptance Corp., 9.125%, 2017	70,000	72,625
Credit Acceptance Corp., 9.125%, 2017 (z)	35,000	36,225
GMAC, Inc., 8%, 2031	20,000	19,950
International Lease Finance Corp., 8.75%, 2017	105,000	110,670
International Lease Finance Corp., 7.125%, 2018 (n)	137,000	141,453
International Lease Finance Corp., 8.25%, 2020	25,000	25,875
Nationstar Mortgage LLC, 10.875%, 2015	320,000	324,800
SLM Corp., 8%, 2020	50,000	52,000
Springleaf Finance Corp., 6.9%, 2017	175,000	133,438
		\$ 1,521,391
<b>Food &amp; Beverages - 1.2%</b>		
ARAMARK Corp., 8.5%, 2015	\$ 105,000	\$ 108,938
B&G Foods, Inc., 7.625%, 2018	75,000	79,500
Constellation Brands, Inc., 7.25%, 2016	55,000	60,156
Pinnacle Foods Finance LLC, 9.25%, 2015	130,000	134,550
Pinnacle Foods Finance LLC, 10.625%, 2017	40,000	41,400
Pinnacle Foods Finance LLC, 8.25%, 2017	30,000	30,450
TreeHouse Foods, Inc., 7.75%, 2018	80,000	86,000
		\$ 540,994

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
Forest & Paper Products - 1.2%		
Boise, Inc., 8%, 2020	\$ 105,000	\$ 110,513
Cascades, Inc., 7.75%, 2017	70,000	68,600
Georgia-Pacific Corp., 8%, 2024	50,000	65,870
Graphic Packaging Holding Co., 7.875%, 2018	65,000	69,550
Millar Western Forest Products Ltd., 8.5%, 2021 (z)	25,000	19,000
Smurfit Kappa Group PLC, 7.75%, 2019 (n)	EUR 50,000	71,261
Tembec Industries, Inc., 11.25%, 2018	\$ 75,000	77,250
Xerium Technologies, Inc., 8.875%, 2018 (z)	65,000	55,250
		\$ 537,294
<b>Gaming &amp; Lodging - 3.5%</b>		
American Casinos, Inc., 7.5%, 2021 (n)	\$ 85,000	\$ 87,125
Boyd Gaming Corp., 7.125%, 2016	165,000	147,675
FelCor Escrow Holdings LLC, 6.75%, 2019 (z)	30,000	27,675
Firekeepers Development Authority, 13.875%, 2015 (n)	190,000	216,600
Fontainebleau Las Vegas Holdings LLC, 10.25%, 2015 (d)(n)	290,000	363
GWR Operating Partnership LLP, 10.875%, 2017	85,000	90,525
Harrah s Operating Co., Inc., 11.25%, 2017	165,000	176,550
Harrah s Operating Co., Inc., 10%, 2018	66,000	47,520
Harrah s Operating Co., Inc., 10%, 2018	110,000	82,913
MGM Mirage, 7.5%, 2016	20,000	19,000
MGM Resorts International, 11.375%, 2018	235,000	255,563
MGM Resorts International, 9%, 2020	45,000	49,725
Penn National Gaming, Inc., 8.75%, 2019	160,000	172,800
Seven Seas Cruises S. de R.L., 9.125%, 2019 (n)	75,000	76,500
Wyndham Worldwide Corp., 7.375%, 2020	50,000	56,280
Wynn Las Vegas LLC, 7.75%, 2020	120,000	132,000
		\$ 1,638,814
<b>Industrial - 1.0%</b>		
Altra Holdings, Inc., 8.125%, 2016	\$ 70,000	\$ 72,975
Hillman Group, Inc., 10.875%, 2018	55,000	56,513
Hillman Group, Inc., 10.875%, 2018 (z)	30,000	30,825
Hyva Global B.V., 8.625%, 2016 (n)	200,000	180,000
Mueller Water Products, Inc., 7.375%, 2017	44,000	38,720
Mueller Water Products, Inc., 8.75%, 2020	82,000	87,330
		\$ 466,363
<b>Insurance - 0.7%</b>		
ING Capital Funding Trust III, FRN, 3.968%, 2049	\$ 99,000	\$ 83,875
ING Groep N.V., 5.775% to 2015, FRN to 2049	290,000	229,825
		\$ 313,700

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
<b>Insurance - Property &amp; Casualty - 1.2%</b>		
Liberty Mutual Group, Inc., 10.75% to 2038, FRN to 2088 (n)	\$ 235,000	\$ 285,525
USI Holdings Corp., 9.75%, 2015 (z)	185,000	176,213
XL Group PLC, 6.5% to 2017, FRN to 2049	130,000	109,200
		\$ 570,938
<b>International Market Sovereign - 0.1%</b>		
Republic of Italy, 5%, 2040	EUR 55,000	\$ 59,855
<b>Machinery &amp; Tools - 0.6%</b>		
Case Corp., 7.25%, 2016	\$ 50,000	\$ 53,750
Case New Holland, Inc., 7.875%, 2017	95,000	107,113
Rental Service Corp., 9.5%, 2014	20,000	20,450
RSC Equipment Rental, Inc., 8.25%, 2021	95,000	96,425
		\$ 277,738
<b>Major Banks - 0.5%</b>		
Royal Bank of Scotland Group PLC, 7.648% to 2031, FRN to 2049	\$ 210,000	\$ 147,525
Royal Bank of Scotland Group PLC, 6.99% to 2017, FRN to 2049 (d)(n)	100,000	70,000
		\$ 217,525
<b>Medical &amp; Health Technology &amp; Services - 5.0%</b>		
Beagle Acquisition Corp., 11%, 2019 (z)	\$ 20,000	\$ 20,800
Biomet, Inc., 10.375%, 2017 (p)	50,000	54,000
Biomet, Inc., 11.625%, 2017	135,000	147,150
CDRT Merger Sub, Inc., 8.125%, 2019 (n)	35,000	35,000
Examworks Group, Inc., 9%, 2019 (z)	60,000	57,750
Fresenius Medical Care AG & Co. KGaA, 9%, 2015 (n)	120,000	135,600
HCA, Inc., 9%, 2014	320,000	330,400
HCA, Inc., 8.5%, 2019	175,000	192,500
HCA, Inc., 7.5%, 2022	85,000	86,700
HealthSouth Corp., 8.125%, 2020	155,000	157,325
Surgical Care Affiliates, Inc., 10%, 2017 (n)	185,000	181,300
Teleflex, Inc., 6.875%, 2019	50,000	51,750
Tenet Healthcare Corp., 9.25%, 2015	65,000	69,388
United Surgical Partners International, Inc., 8.875%, 2017	60,000	61,275
United Surgical Partners International, Inc., 9.25%, 2017 (p)	80,000	82,000
Universal Health Services, Inc., 7%, 2018	30,000	31,125
Universal Hospital Services, Inc., 8.5%, 2015 (p)	185,000	190,550
Universal Hospital Services, Inc., FRN, 3.777%, 2015	35,000	32,375
Vanguard Health Systems, Inc., 0%, 2016	2,000	1,310
Vanguard Health Systems, Inc., 8%, 2018	115,000	117,588
VWR Funding, Inc., 10.25%, 2015 (p)	171,812	179,544
WP Rocket Merger Sub, Inc., 10.125%, 2019 (n)	100,000	98,000
		\$ 2,313,430

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
<b>Metals &amp; Mining - 1.8%</b>		
AK Steel Corp., 7.625%, 2020	\$ 90,000	\$ 84,150
Arch Coal, Inc., 7%, 2019 (n)	40,000	41,400
Arch Coal, Inc., 7.25%, 2020	45,000	46,688
Berau Capital Resources, 12.5%, 2015 (n)	150,000	165,000
Cloud Peak Energy, Inc., 8.25%, 2017	100,000	107,000
Cloud Peak Energy, Inc., 8.5%, 2019	85,000	90,950
Consol Energy, Inc., 8%, 2017	75,000	82,125
Consol Energy, Inc., 8.25%, 2020	50,000	54,750
Fortescue Metals Group Ltd., 6.875%, 2018 (z)	30,000	28,800
Fortescue Metals Group Ltd., 8.25%, 2019 (z)	65,000	65,650
Novelis, Inc., 8.375%, 2017	55,000	59,400
Novelis, Inc., 8.75%, 2020	25,000	27,250
		\$ 853,163
<b>Natural Gas - Pipeline - 1.4%</b>		
Atlas Pipeline Partners LP, 8.75%, 2018	\$ 115,000	\$ 120,750
Crosstex Energy, Inc., 8.875%, 2018	110,000	116,600
El Paso Corp., 7%, 2017	105,000	117,600
El Paso Corp., 7.75%, 2032	105,000	121,013
Energy Transfer Equity LP, 7.5%, 2020	135,000	145,800
Enterprise Products Partners LP, 7.034% to 2018, FRN to 2068	40,000	41,200
		\$ 662,963
<b>Network &amp; Telecom - 1.7%</b>		
CenturyLink, Inc., 7.6%, 2039	\$ 33,000	\$ 32,690
Cincinnati Bell, Inc., 8.25%, 2017	30,000	30,225
Cincinnati Bell, Inc., 8.75%, 2018	240,000	230,400
Citizens Communications Co., 9%, 2031	65,000	63,700
Frontier Communications Corp., 8.125%, 2018	115,000	122,763
Frontier Communications Corp., 8.5%, 2020	40,000	42,600
Qwest Communications International, Inc., 7.125%, 2018 (n)	105,000	107,363
Windstream Corp., 8.125%, 2018	20,000	21,400
Windstream Corp., 7.75%, 2020	105,000	109,725
Windstream Corp., 7.75%, 2021	40,000	41,700
		\$ 802,566
<b>Oil Services - 1.7%</b>		
Afren PLC, 11.5%, 2016 (n)	\$ 200,000	\$ 201,000
Chesapeake Energy Corp., 6.625%, 2019 (z)	35,000	35,963
Edgen Murray Corp., 12.25%, 2015	150,000	141,750
Expro Finance Luxembourg, 8.5%, 2016 (n)	110,000	106,150
McJunkin Red Man Holding Corp., 9.5%, 2016	155,000	158,100
Pioneer Drilling Co., 9.875%, 2018	135,000	140,400
		\$ 783,363

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
<b>Oils - 0.2%</b>		
Petroplus Holdings AG, 9.375%, 2019 (n)	\$ 100,000	\$ 79,000
<b>Other Banks &amp; Diversified Financials - 1.1%</b>		
Capital One Financial Corp., 10.25%, 2039	\$ 130,000	\$ 134,550
CenterCredit International B.V., 8.625%, 2014	100,000	100,310
LBG Capital No.1 PLC, 7.875%, 2020 (n)	100,000	86,000
Santander UK PLC, 8.963% to 2030, FRN to 2049	224,000	212,800
		\$ 533,660
<b>Pharmaceuticals - 0.3%</b>		
Capsugel FinanceCo. SCA, 9.875%, 2019 (n)	EUR 100,000	\$ 141,137
<b>Pollution Control - 0.2%</b>		
WCA Waste Corp., 7.5%, 2019 (n)	\$ 100,000	\$ 97,000
<b>Printing &amp; Publishing - 0.4%</b>		
American Media, Inc., 13.5%, 2018 (z)	\$ 23,764	\$ 20,912
Morris Publishing Group LLC, 10%, 2014	57,596	44,349
Nielsen Finance LLC, 11.5%, 2016	62,000	71,145
Nielsen Finance LLC, 7.75%, 2018	45,000	49,613
		\$ 186,019
<b>Real Estate - 0.5%</b>		
CB Richard Ellis Group, Inc., 11.625%, 2017	\$ 120,000	\$ 138,900
CNL Lifestyle Properties, Inc., REIT, 7.25%, 2019	50,000	45,000
Kennedy Wilson, Inc., 8.75%, 2019 (n)	65,000	63,700
		\$ 247,600
<b>Retailers - 2.6%</b>		
Academy Ltd., 9.25%, 2019 (z)	\$ 55,000	\$ 55,275
Burlington Coat Factory Warehouse Corp., 10%, 2019 (n)	95,000	94,050
J. Crew Group, Inc., 8.125%, 2019	75,000	72,000
Limited Brands, Inc., 6.9%, 2017	75,000	80,063
Limited Brands, Inc., 6.95%, 2033	40,000	36,800
Neiman Marcus Group, Inc., 10.375%, 2015	185,000	192,400
QVC, Inc., 7.375%, 2020 (n)	50,000	54,500
Rite Aid Corp., 9.375%, 2015	85,000	79,900
Sally Beauty Holdings, Inc., 10.5%, 2016	230,000	242,363
Toys R Us Property Co. II LLC, 8.5%, 2017	60,000	63,375
Toys R Us, Inc., 10.75%, 2017	140,000	155,400
Yankee Aquisition Corp., 8.5%, 2015	25,000	25,500
YCC Holdings LLC/Yankee Finance, Inc., 10.25%, 2016 (p)	50,000	46,000
		\$ 1,197,626

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
<b>Specialty Stores - 0.4%</b>		
Michaels Stores, Inc., 11.375%, 2016	\$ 125,000	\$ 130,314
Michaels Stores, Inc., 7.75%, 2018	75,000	76,125
		\$ 206,439
<b>Telecommunications - Wireless - 3.5%</b>		
Clearwire Corp., 12%, 2015 (n)	\$ 265,000	\$ 226,575
Cricket Communications, Inc., 7.75%, 2016	95,000	98,563
Cricket Communications, Inc., 7.75%, 2020	50,000	42,750
Crown Castle International Corp., 9%, 2015	80,000	87,200
Crown Castle International Corp., 7.125%, 2019	50,000	54,125
Digicel Group Ltd., 10.5%, 2018 (n)	265,000	272,950
MetroPCS Wireless, Inc., 7.875%, 2018	60,000	61,050
MetroPCS Wireless, Inc., 6.625%, 2020	25,000	23,500
NII Holdings, Inc., 10%, 2016	95,000	106,875
NII Holdings, Inc., 7.625%, 2021	75,000	77,250
Sprint Capital Corp., 6.875%, 2028	80,000	58,400
Sprint Nextel Corp., 6%, 2016	45,000	39,150
Sprint Nextel Corp., 8.375%, 2017	140,000	128,800
Wind Acquisition Finance S.A., 11.75%, 2017 (n)	365,000	361,350
		\$ 1,638,538
<b>Telephone Services - 0.3%</b>		
Cogent Communications Group, Inc., 8.375%, 2018 (n)	\$ 45,000	\$ 46,800
Level 3 Financing, Inc., 9.375%, 2019	70,000	73,150
		\$ 119,950
<b>Transportation - 0.1%</b>		
Navios South American Logistics, Inc., 9.25%, 2019 (n)	\$ 47,000	\$ 41,478
<b>Transportation - Services - 2.2%</b>		
ACL I Corp., 10.625%, 2016 (n)(p)	\$ 137,393	\$ 104,811
AE Escrow Corp., 9.75%, 2020 (z)	40,000	41,600
American Petroleum Tankers LLC, 10.25%, 2015	83,000	85,283
Atlas Airlines, Inc. Pass-Through Certificates, B, 7.68%, 2014	62,625	56,362
Commercial Barge Line Co., 12.5%, 2017	205,000	220,631
Hertz Corp., 7.5%, 2018	70,000	72,975
Hertz Corp., 7.375%, 2021	55,000	56,513
Navios Maritime Acquisition Corp., 8.625%, 2017	165,000	127,875
Navios Maritime Holdings, Inc., 8.875%, 2017	70,000	67,025
Swift Services Holdings, Inc., 10%, 2018	180,000	186,300
		\$ 1,019,375

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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
<b>Utilities - Electric Power - 5.0%</b>		
AES Corp., 8%, 2017	\$ 175,000	\$ 192,063
Atlantic Power Corp., 9%, 2018 (z)	40,000	39,800
Calpine Corp., 8%, 2016 (n)	125,000	133,125
Calpine Corp., 7.875%, 2020 (n)	120,000	128,700
Covanta Holding Corp., 7.25%, 2020	75,000	77,823
Dolphin Subsidiary II, Inc., 7.25%, 2021 (z)	80,000	85,800
Dynege Holdings, Inc., 7.5%, 2015 (d)	105,000	72,713
Dynege Holdings, Inc., 7.75%, 2019 (d)	160,000	104,000
Edison Mission Energy, 7%, 2017	155,000	108,500
EDP Finance B.V., 6%, 2018 (n)	100,000	89,683
Enel Finance International S.A., 6%, 2039 (n)	100,000	92,017
Energy Future Holdings Corp., 10%, 2020	180,000	188,100
Energy Future Holdings Corp., 10%, 2020	290,000	304,500
GenOn Energy, Inc., 9.5%, 2018	20,000	21,100
GenOn Energy, Inc., 9.875%, 2020	210,000	221,550
NGC Corp. Capital Trust, 8.316%, 2027 (a)	275,000	55,000
NRG Energy, Inc., 8.25%, 2020	300,000	310,500
Texas Competitive Electric Holdings Co. LLC, 11.5%, 2020 (n)	125,000	107,500
		\$ 2,332,474
<b>Total Bonds (Identified Cost, \$35,498,530)</b>		<b>\$ 34,083,879</b>
<b>Floating Rate Loans (g)(r) - 0.5%</b>		
<b>Aerospace - 0.1%</b>		
Hawker Beechcraft Acquisition Co. LLC, Term Loan, 10.5%, 2014	\$ 64,362	\$ 52,938
<b>Broadcasting - 0.1%</b>		
Local TV Finance LLC, Term Loan B, 2.25%, 2013	\$ 9,760	\$ 9,296
New Young Broadcasting Holding Co., Inc., Term Loan, 8%, 2015	57,673	56,807
		\$ 66,103
<b>Gaming &amp; Lodging - 0.2%</b>		
MGM Mirage, Term Loan, 7%, 2014	\$ 70,556	\$ 68,581
<b>Utilities - Electric Power - 0.1%</b>		
Dynege Holdings, Inc., GasCo. Term Loan, 9.25%, 2017	\$ 20,107	\$ 20,064
Dynege Holdings, Inc., CoalCo. Term Loan, 9.25%, 2017	13,405	13,166
		\$ 33,230
<b>Total Floating Rate Loans (Identified Cost, \$222,626)</b>		<b>\$ 220,852</b>

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*Portfolio of Investments continued*

Common Stocks - 22.9%		
Issuer	Shares/Par	Value (\$)
Automotive - 0.8%		
Accuride Corp.	2,414	\$ 15,223
Johnson Controls, Inc.	11,100	365,523
		\$ 380,746
Broadcasting - 1.0%		
New Young Broadcasting Holding Co., Inc.	26	\$ 70,200
Viacom, Inc., B	8,810	386,319
		\$ 456,519
Brokerage & Asset Managers - 0.5%		
Charles Schwab Corp.	17,970	\$ 220,672
Chemicals - 1.3%		
3M Co.	3,170	\$ 250,493
Celanese Corp.	8,170	355,804
		\$ 606,297
Computer Software - Systems - 0.5%		
International Business Machines Corp.	1,160	\$ 214,171
Consumer Products - 0.5%		
Avon Products, Inc.	14,010	\$ 256,103
Electrical Equipment - 1.0%		
Danaher Corp.	9,480	\$ 458,358
Energy - Independent - 2.5%		
Apache Corp.	4,570	\$ 455,309
EQT Corp.	3,720	236,220
Noble Energy, Inc.	5,440	486,010
		\$ 1,177,539
Energy - Integrated - 1.3%		
Exxon Mobil Corp.	7,910	\$ 617,692
General Merchandise - 1.5%		
Kohl's Corp.	6,500	\$ 344,565
Target Corp.	6,740	369,015
		\$ 713,580
Insurance - 0.8%		
Prudential Financial, Inc.	6,940	\$ 376,148



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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Common Stocks - continued</b>		
<b>Leisure &amp; Toys - 0.5%</b>		
Hasbro, Inc.	5,660	\$ 215,420
<b>Major Banks - 1.8%</b>		
Bank of America Corp.	20,580	\$ 140,561
Bank of New York Mellon Corp.	8,850	188,328
Goldman Sachs Group, Inc.	2,130	233,342
JPMorgan Chase & Co.	8,500	295,460
		\$ 857,691
<b>Medical Equipment - 1.7%</b>		
Becton, Dickinson & Co.	2,930	\$ 229,214
Thermo Fisher Scientific, Inc. (a)	10,960	550,959
		\$ 780,173
<b>Metals &amp; Mining - 0.2%</b>		
Cliffs Natural Resources, Inc.	1,060	\$ 72,313
<b>Natural Gas - Distribution - 0.6%</b>		
AGL Resources, Inc.	6,520	\$ 273,449
<b>Other Banks &amp; Diversified Financials - 1.2%</b>		
TCF Financial Corp.	16,840	\$ 179,178
Visa, Inc., A	3,940	367,444
		\$ 546,622
<b>Pharmaceuticals - 0.8%</b>		
Abbott Laboratories	6,740	\$ 363,084
<b>Printing &amp; Publishing - 0.2%</b>		
American Media Operations, Inc. (a)	6,090	\$ 79,962
Golden Books Family Entertainment, Inc. (a)	53,266	0
		\$ 79,962
<b>Special Products &amp; Services - 0.0%</b>		
Mark IV Industries LLC, Common Units, A	180	\$ 7,470
<b>Specialty Chemicals - 0.8%</b>		
Airgas, Inc.	5,590	\$ 385,431
<b>Telecommunications - Wireless - 0.9%</b>		
Vodafone Group PLC, ADR	14,660	\$ 408,134

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*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
<b>Common Stocks - continued</b>		
Telephone Services - 0.6%		
Adelphia Business Solutions, Inc. (a)	40,000	\$ 0
CenturyLink, Inc.	8,130	286,664
		\$ 286,664
Tobacco - 0.7%		
Reynolds American, Inc.	8,340	\$ 322,591
Trucking - 0.6%		
United Parcel Service, Inc., B	3,660	\$ 257,078
Utilities - Electric Power - 0.6%		
American Electric Power Co., Inc.	7,350	\$ 288,708
<b>Total Common Stocks (Identified Cost, \$10,620,267)</b>		<b>\$ 10,622,615</b>
<b>Convertible Preferred Stocks - 0.4%</b>		
Automotive - 0.2%		
General Motors Co., 4.75%	\$ 2,560	\$ 106,394
Insurance - 0.2%		
MetLife, Inc., 5%	\$ 1,360	\$ 92,358
<b>Total Convertible Preferred Stocks (Identified Cost, \$240,195)</b>		<b>\$ 198,752</b>
<b>Preferred Stocks - 0.6%</b>		
Other Banks & Diversified Financials - 0.6%		
Ally Financial, Inc., 7% (n)	60	\$ 44,747
Ally Financial, Inc., A, 8.5%	9,378	181,933
GMAC Capital Trust I, 8.125%	3,325	69,692
<b>Total Preferred Stocks (Identified Cost, \$362,112)</b>		<b>\$ 296,372</b>
	<b>Strike Price</b>	<b>First Exercise</b>
<b>Warrants - 0.1%</b>		
Broadcasting - 0.1%		
New Young Broadcasting Holding Co., Inc. (1 share for 1 warrant) (a) (Identified Cost, \$42,283)	\$ 0.01	12/24/24
<b>Total Warrants (Identified Cost, \$42,283)</b>		<b>\$ 56,700</b>

**Table of Contents**

*Portfolio of Investments continued*

Money Market Funds (v) - 1.2%		
Issuer	Shares/Par	Value (\$)
MFS Institutional Money Market Portfolio, 0.07%, at Cost and Net Asset Value	547,157	\$ 547,157
<b>Total Investments (Identified Cost, \$47,533,170)</b>		<b>\$ 46,026,327</b>
Other Assets, Less Liabilities - 0.9%		
<b>Net Assets - 100.0%</b>		<b>\$ 46,437,547</b>

(a) Non-income producing security.

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

(e) The rate shown represents a current effective yield, not a coupon rate.

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

(i) Interest only security for which the fund receives interest on notional principal (Par amount). Par amount shown is the notional principal and does not reflect the cost of the security.

(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 \$8,969,135, representing 19.3% of net assets.

(p) Payment-in-kind security.

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

(v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted 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
AE Escrow Corp., 9.75%, 2020	9/21/11	\$40,000	\$41,600

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Academy Ltd., 9.25%, 2019	8/29/11-10/14/11	52,721	55,275
American Media, Inc., 13.5%, 2018	12/22/10	24,117	20,912
Atlantic Power Corp., 9%, 2018	10/26/11	38,988	39,800
Banc of America Commercial Mortgage, Inc., FRN, 6.437%, 2051	6/19/08	240,315	157,010
Beagle Acquisition Corp., 11%, 2019	10/14/11	20,000	20,800
Chesapeake Energy Corp., 6.625%, 2019	10/25/11	35,000	35,963
Credit Acceptance Corp., 9.125%, 2017	2/28/11	36,907	36,225
Dolphin Subsidiary II, Inc., 7.25%, 2021	9/26/11	80,000	85,800
Dynacast International LLC, 9.25%, 2019	7/12/11-7/15/11	75,877	69,000

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

<b>Restricted Securities - continued</b>	<b>Acquisition Date</b>	<b>Cost</b>	<b>Value</b>
Examworks Group, Inc., 9%, 2019	7/14/11-7/15/11	\$60,658	\$57,750
Exopack Holding Corp., 10%, 2018	5/25/11	70,191	68,600
Falcon Franchise Loan LLC, FRN, 5.12%, 2025	1/29/03	16,345	14,437
FelCor Escrow Holdings LLC, 6.75%, 2019	10/14/11	27,122	27,675
Fortescue Metals Group Ltd., 6.875%, 2018	10/03/11-10/04/11	26,132	28,800
Fortescue Metals Group Ltd., 8.25%, 2019	10/25/11-10/27/11	65,600	65,650
Heckler & Koch GmbH, 9.5%, 2018	5/06/11	141,836	107,929
Hilcorp Energy I/Hilcorp Finance Co., 8%, 2020	9/07/11-9/12/11	41,754	43,000
Hillman Group, Inc., 10.875%, 2018	3/11/11	32,596	30,825
LBI Media, Inc., 8.5%, 2017	7/18/07	88,998	58,950
Laredo Petroleum, Inc., 9.5%, 2019	10/12/11	65,648	68,900
Local TV Finance LLC, 9.25%, 2015	8/04/09	223,622	211,600
Millar Western Forest Products Ltd., 8.5%, 2021	7/27/11-8/15/11	20,298	19,000
Morgan Stanley Capital I, Inc., FRN, 1.383%, 2039	7/20/04	8,827	8,322
Packaging Dynamics Corp., 8.75%, 2016	1/25/11-2/01/11	40,623	40,600
Preferred Term Securities XII Ltd., CDO, 0%, 2033	1/07/05	127,734	68
Preferred Term Securities XVI Ltd., CDO, 0%, 2035	12/08/05	187,576	30
Preferred Term Securities XVII Ltd., CDO, 0%, 2035	3/09/05	114,513	19
Sealed Air Corp., 8.125%, 2019	9/16/11	15,000	16,275
Sealed Air Corp., 8.375%, 2021	9/16/11	15,000	16,238
USI Holdings Corp., 9.75%, 2015	4/26/07-6/08/07	186,271	176,213
Xerium Technologies, Inc., 8.875%, 2018	5/20/11	65,000	55,250
<b>Total Restricted Securities</b>			<b>\$1,678,516</b>
% of Net assets			3.6%

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

ADR American Depository Receipt  
CDO Collateralized Debt Obligation  
FRN Floating Rate Note. Interest rate resets periodically and may not be the rate reported at period end.  
PLC Public Limited Company  
REIT Real Estate Investment Trust

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

EUR Euro

**Table of Contents***Portfolio of Investments continued***Derivative Contracts at 10/31/11****Forward Foreign Currency Exchange Contracts at 10/31/11**

Type	Currency	Counterparty	Contracts to Deliver/Receive	Settlement Date Range	In Exchange For	Contracts at Value	Net Unrealized Appreciation (Depreciation)
<b>Asset Derivatives</b>							
SELL	EUR	Credit Suisse Group	44,315	1/12/12	\$ 61,641	\$ 61,288	\$ 353
<b>Liability Derivatives</b>							
SELL	EUR	Barclays Bank PLC	146,447	1/12/12	\$ 197,222	\$ 202,538	\$ (5,316)
SELL	EUR	Credit Suisse Group	146,447	1/12/12	197,225	202,538	(5,313)
							\$ (10,629)

At October 31, 2011, the fund had sufficient cash and/or securities to cover any commitments under these derivative contracts.

**See Notes to Financial Statements**

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

At 10/31/11

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

<b>Assets</b>	
Investments-	
Non-affiliated issuers, at value (identified cost, \$46,986,013)	\$45,479,170
Underlying affiliated funds, at cost and value	547,157
Total investments, at value (identified cost, \$47,533,170)	\$46,026,327
Cash	8,786
Receivables for	
Forward foreign currency exchange contracts	353
Investments sold	53,292
Interest and dividends	837,572
Other assets	3,971
Total assets	\$46,930,301
<b>Liabilities</b>	
Payables for	
Distributions	\$5
Forward foreign currency exchange contracts	10,629
Investments purchased	327,851
Payable to affiliates	
Investment adviser	4,342
Transfer agent and dividend disbursing costs	786
Payable for independent Trustees' compensation	65,396
Accrued expenses and other liabilities	83,745
Total liabilities	\$492,754
Net assets	\$46,437,547
<b>Net assets consist of</b>	
Paid-in capital	\$63,534,411
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	(1,517,390)
Accumulated net realized gain (loss) on investments and foreign currency transactions	(15,427,056)
Accumulated distributions in excess of net investment income	(152,418)
Net assets	\$46,437,547
Shares of beneficial interest outstanding	6,901,130
Net asset value per share (net assets of \$46,437,547 / 6,901,130 shares of beneficial interest outstanding)	\$6.73
<b>See Notes to Financial Statements</b>	

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

Year ended 10/31/11

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

<b>Net investment income</b>	
Income	
Interest	\$3,194,113
Dividends	263,077
Dividends from underlying affiliated funds	1,826
Total investment income	\$3,459,016
Expenses	
Management fee	\$455,289
Transfer agent and dividend disbursing costs	20,110
Administrative services fee	17,558
Independent Trustees' compensation	16,426
Stock exchange fee	23,747
Custodian fee	19,597
Shareholder communications	63,738
Auditing fees	63,577
Legal fees	2,049
Miscellaneous	14,720
Total expenses	\$696,811
Fees paid indirectly	(38)
Reduction of expenses by investment adviser	(14,555)
Net expenses	\$682,218
Net investment income	\$2,776,798
<b>Realized and unrealized gain (loss) on investments and foreign currency transactions</b>	
Realized gain (loss) (identified cost basis)	
Investment transactions	\$250,213
Futures contracts	(17,615)
Foreign currency transactions	3,657
Net realized gain (loss) on investments and foreign currency transactions	\$236,255
Change in unrealized appreciation (depreciation)	
Investments	\$(1,519,263)
Translation of assets and liabilities in foreign currencies	2,485
Net unrealized gain (loss) on investments and foreign currency translation	\$(1,516,778)
Net realized and unrealized gain (loss) on investments and foreign currency	\$(1,280,523)
Change in net assets from operations	\$1,496,275
<b>See Notes to Financial Statements</b>	



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

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

	<b>Years ended 10/31</b>	
	<b>2011</b>	<b>2010</b>
<b>Change in net assets</b>		
<b>From operations</b>		
Net investment income	\$2,776,798	\$3,013,390
Net realized gain (loss) on investments and foreign currency transactions	236,255	109,296
Net unrealized gain (loss) on investments and foreign currency translation	(1,516,778)	5,108,087
Change in net assets from operations	\$1,496,275	\$8,230,773
<b>Distributions declared to shareholders</b>		
From net investment income	\$(2,856,130)	\$(3,480,552)
From tax return of capital	(2,097,352)	(1,235,104)
Total distributions declared to shareholders	\$(4,953,482)	\$(4,715,656)
Change in net assets from fund share transactions	\$433,705	\$300,175
Total change in net assets	\$(3,023,502)	\$3,815,292
<b>Net assets</b>		
At beginning of period	49,461,049	45,645,757
At end of period (including accumulated distributions in excess of net investment income of \$152,418 and \$239,793, respectively)	\$46,437,547	\$49,461,049
<b>See Notes to Financial Statements</b>		

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

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

	Years ended 10/31				
	2011	2010	2009	2008	2007
Net asset value, beginning of period	\$7.23	\$6.71	\$5.36	\$9.08	\$9.52
<b>Income (loss) from investment operations</b>					
Net investment income (d)	\$0.40	\$0.44	\$0.56	\$0.61	\$0.55
Net realized and unrealized gain (loss) on investments and foreign currency	(0.18)	0.77	1.32	(3.52)	(0.02)
Total from investment operations	\$0.22	\$1.21	\$1.88	\$(2.91)	\$0.53
<b>Less distributions declared to shareholders</b>					
From net investment income	\$(0.42)	\$(0.51)	\$(0.54)	\$(0.60)	\$(0.89)
From net realized gain on investments					(0.08)
From tax return of capital	(0.30)	(0.18)		(0.21)	
Total distributions declared to shareholders	\$(0.72)	\$(0.69)	\$(0.54)	\$(0.81)	\$(0.97)
Net increase from repurchase of capital shares	\$	\$	\$0.01	\$	\$
Net asset value, end of period (x)	\$6.73	\$7.23	\$6.71	\$5.36	\$9.08
Per share market value, end of period	\$6.86	\$7.95	\$6.23	\$4.75	\$8.44
Total return at market value (%)	(4.67)	40.46	46.76	(36.80)	(14.74)
Total return at net asset value (%) (j)(r)(s)(x)	2.81	18.63	40.08	(33.71)	5.11
<b>Ratios (%) (to average net assets) and Supplemental data:</b>					
Expenses before expense reductions (f)	1.42	1.53	1.64	1.47	1.27
Expenses after expense reductions (f)	1.39	1.47	1.64	1.47	1.27
Net investment income	5.65	6.36	10.17	7.85	5.70
Portfolio turnover	53	55	78	91	76
Net assets at end of period (000 omitted)	\$46,438	\$49,461	\$45,646	\$36,948	\$62,558

(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.

(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.

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

**See Notes to Financial Statements**

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## NOTES TO FINANCIAL STATEMENTS

### **(1) Business and Organization**

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

### **(2) Significant Accounting Policies**

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

**Investment Valuations** Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price as provided by a third-party pricing service on the market or exchange on which they are primarily traded. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Equity securities held short, for which there were no sales reported for that day, are generally valued at the last quoted daily ask quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Debt instruments and floating rate loans (other than short-term instruments), including restricted debt instruments, are generally valued at an evaluated or composite bid as provided by a third-party pricing service. Short-term instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Futures contracts are

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*Notes to Financial Statements continued*

generally valued at last posted settlement price as provided by a third-party pricing service on the market on which they are primarily traded. Futures contracts for which there were no trades that day for a particular position are generally valued at the closing bid quotation as provided by a third-party pricing service on the market on which such futures contracts are primarily traded. Forward foreign currency exchange contracts are generally valued at the mean of bid and asked prices for the time period interpolated from rates provided by a third-party pricing service for proximate time periods. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

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

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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. The following is a summary of the levels used as of October 31, 2011 in valuing the fund's assets or liabilities:

<b>Investments at Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Equity Securities:</b>				
United States	\$10,507,226	\$179,117	\$79,962	\$10,766,305
United Kingdom	408,134			408,134
<b>Non-U.S. Sovereign Debt</b>		485,558		485,558
<b>Corporate Bonds</b>		27,729,108		27,729,108
<b>Commercial Mortgage-Backed Securities</b>		631,088		631,088
<b>Asset-Backed Securities (including CDO's)</b>		117		117
<b>Total Foreign Bonds</b>		5,238,008		5,238,008
<b>Floating Rate Loans</b>		220,852		220,852
<b>Mutual Funds</b>	547,157			547,157
<b>Total Investments</b>	\$11,462,517	\$34,483,848	\$79,962	\$46,026,327
<b>Other Financial Instruments</b>				
Forward Foreign Currency Exchange Contracts	\$	\$(10,276)	\$	\$(10,276)

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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	Corporate Bonds	Total
Balance as of 10/31/10	\$24,298	\$0	\$24,298
Realized gain (loss)	(8,496)	(247,749)	(256,245)
Change in unrealized appreciation (depreciation)	(15,802)	247,749	231,947
Sales	0	0	0
Transfers into level 3	79,962		79,962
Balance as of 10/31/11	\$79,962	\$	\$79,962

The net change in unrealized appreciation (depreciation) from investments still held as level 3 at October 31, 2011 is \$0.

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

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*Notes to Financial Statements 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 October 31, 2011 as reported in the Statement of Assets and Liabilities:

Risk	Derivative Contracts	Fair Value	
		Asset Derivatives	Liability Derivatives
Foreign Exchange	Forward Foreign Currency Exchange	\$353	\$(10,629)

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the year ended October 31, 2011 as reported in the Statement of Operations:

Risk	Futures Contracts	Foreign Currency Transactions
Interest Rate	\$(17,615)	\$
Foreign Exchange		3,306
Total	\$(17,615)	\$3,306

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the year ended October 31, 2011 as reported in the Statement of Operations:

Risk	Translation of Assets	and	Liabilities in Foreign Currencies
Foreign Exchange			\$3,127

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain over-the-counter derivatives, the fund attempts to reduce its exposure to counterparty credit risk whenever possible by entering into an International Swaps and Derivatives Association (ISDA) Master Agreement on a bilateral basis with each of the counterparties with whom it undertakes a significant volume of transactions. The ISDA Master Agreement gives each party to the agreement the right to terminate all transactions traded under such agreement if there is a certain deterioration in the credit quality of the other party. The ISDA Master Agreement gives the fund the right, upon an event of default by the applicable counterparty or a termination of the agreement, to close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the ISDA Master Agreement could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable

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*Notes to Financial Statements continued*

transactions, if any. However, absent an event of default by the counterparty or a termination of the agreement, the ISDA Master Agreement does not result in an offset of reported amounts of assets and liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty.

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

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

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

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

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



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*Notes to Financial Statements continued*

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

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

Risks may arise upon entering into these contracts from unanticipated movements in the value of the contract and from the potential inability of counterparties to meet the terms of their contracts. 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.

**Security Loans** State Street Bank and Trust Company (State Street), as lending agent, loans the securities of the fund to certain qualified institutions (the Borrowers) approved by the fund. The loans are collateralized by cash and/or U.S. Treasury and federal agency obligations in an amount typically at least equal to the market value of the securities loaned. The market value of the loaned securities is determined at the close of business of the fund and any additional required collateral is delivered to the fund on the next business day. State Street provides the fund with indemnification against Borrower default. The fund bears the risk of loss with respect to the investment of cash collateral. On loans collateralized by cash, the cash collateral is invested in a money market fund or short-term securities. A portion of the income generated upon investment of the collateral is remitted to the Borrowers, and the remainder is allocated between the fund and the lending agent. On loans collateralized by U.S. Treasury and/or federal agency obligations, a fee is received from the Borrower, and is allocated between the fund and the lending agent. Income from securities lending is included in interest income on the Statement of Operations. The dividend and interest income earned on the securities loaned is accounted for in the same manner as other dividend and interest income.

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*Notes to Financial Statements continued*

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

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

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

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

**Fees Paid Indirectly** The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by

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the fund. This amount, for the year ended October 31, 2011, is shown as a reduction of total expenses on the Statement of Operations.

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

Distributions to shareholders are recorded on the ex-dividend date. The fund seeks to pay monthly distributions based on an annual rate of 10% of the fund's average monthly net asset value. As a result, distributions may exceed actual earnings which may result in a tax return of capital or, to the extent the fund has long-term gains, distributions of current year long-term gains may be recharacterized as ordinary income. 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 from other sources, in excess of net investment income or net realized gains are temporary overdistributions for financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

Book/tax differences primarily relate to amortization and accretion of debt securities, defaulted bonds and deferred trustee compensation.

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

	10/31/11	10/31/10
Ordinary income (including any short-term capital gains) (a)	\$2,856,130	\$3,480,552
Tax return of capital (b)	2,097,352	1,235,104
Total distributions	\$4,953,482	\$4,715,656

(a) Included in the fund's distributions from ordinary income for the year ended October 31, 2011 is \$51,250 in excess of investment company taxable income which, in accordance with applicable U.S. tax law, is taxable to shareholders as ordinary income distributions.

(b) Distributions in excess of tax basis earnings and profits are reported in the financial statements as a tax return of capital.

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

<b>As of 10/31/11</b>	
Cost of investments	\$48,433,268
Gross appreciation	2,384,641
Gross depreciation	(4,791,582)
Net unrealized appreciation (depreciation)	\$(2,406,941)
Capital loss carryforwards	(14,526,958)
Other temporary differences	(162,965)

As of October 31, 2011, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

10/31/16	\$(9,725,720)
10/31/17	(4,711,246)
10/31/18	(89,992)
Total	\$(14,526,958)

**(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 0.68% of the fund's average daily net assets and 3.40% of gross income. Gross income is calculated based on tax elections that generally include the accretion of discount and exclude the amortization of premium, which may differ from investment income reported in the Statement of Operations. MFS has agreed to reduce its management fee to the lesser of the contractual management fee as set forth above or 0.90% of the average daily net assets. This written agreement will continue until modified by the fund's Board of Trustees, but such an agreement will continue at least until October 31, 2012. This management fee reduction amounted to \$14,349, which is shown as a reduction of total expenses in the Statement of Operations. The management fee, from net assets and gross income, incurred for the year ended October 31, 2011, was equivalent to an annual effective rate of 0.90% of the fund's average daily net assets.

**Transfer Agent** The fund engages Computershare Trust Company, N.A. (Computershare) as the sole transfer agent for the fund. MFS Service Center, Inc. (MFSC) monitors and supervises the activities of Computershare for an agreed upon fee approved by the Board of Trustees. For the year ended October 31, 2011, these fees paid to MFSC amounted to \$4,637.

**Administrator** MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund.

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*Notes to Financial Statements continued*

Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of \$17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the year ended October 31, 2011 was equivalent to an annual effective rate of 0.0357% of the fund's average daily net assets.

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

Prior to December 31, 2001, the fund had an unfunded defined benefit plan ( DB plan ) for independent Trustees. As of December 31, 2001, the Board took action to terminate the DB plan with respect to then-current and any future independent Trustees, such that the DB plan covers only certain of those former independent Trustees who retired on or before December 31, 2001. Effective January 1, 2002, accrued benefits under the DB plan for then-current independent Trustees who continued were credited to an unfunded retirement deferral plan (the Retirement Deferral plan ), which was established for and exists solely with respect to these credited amounts, and is not available for other deferrals by these or other independent Trustees. Although the Retirement Deferral plan is unfunded, amounts deferred under the plan are periodically adjusted for investment experience as if they had been invested in shares of the fund. The DB plan resulted in a pension expense of \$4,589 and the Retirement Deferral plan resulted in an expense of \$1,611. Both amounts are included in independent Trustees' compensation for the year ended October 31, 2011. The liability for deferred retirement benefits payable to certain independent Trustees under both plans amounted to \$65,382 at October 31, 2011, and is included in payable for independent Trustees' compensation on the Statement of Assets and Liabilities.

**Other** This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The ICCO and Assistant ICCO are officers of the funds and the sole members of Tarantino LLC and Griffin Compliance LLC, respectively. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. For the year ended October 31, 2011, the aggregate fees paid by

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the fund to Tarantino LLC and Griffin Compliance LLC were \$452 and are included in miscellaneous expense on the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of \$206, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO and Assistant ICCO.

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

**(4) Portfolio Securities**

Purchases and sales of investments, other than U.S. Government securities, purchased option transactions, and short-term obligations, aggregated \$25,319,611 and \$26,890,757, 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 year ended October 31, 2011, the fund did not repurchase any shares. Transactions in fund shares were as follows:

	Year ended 10/31/11		Year ended 10/31/10	
	Shares	Amount	Shares	Amount
Shares issued to shareholders in				
reinvestment of distributions	60,068	\$433,705	40,722	\$300,175

**(6) Line of Credit**

The fund and certain other funds managed by MFS participate in a \$1.1 billion unsecured committed line of credit, subject to a \$1 billion sublimit, provided by a syndication of banks under a credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the higher of the Federal Reserve funds rate or one month LIBOR plus an agreed upon spread. A commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. In addition, the fund and other funds managed by MFS have established unsecured uncommitted borrowing arrangements with certain banks for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Federal Reserve funds rate plus an agreed upon spread. For the year ended October 31, 2011, the fund's commitment fee

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and interest expense were \$428 and \$0, respectively, and are included in miscellaneous expense on the Statement of Operations.

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

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

<b>Underlying Affiliated Funds</b>	<b>Beginning Shares/Par Amount</b>	<b>Acquisitions Shares/Par Amount</b>	<b>Dispositions Shares/Par Amount</b>	<b>Ending Shares/Par Amount</b>
MFS Institutional Money Market Portfolio	728,610	13,818,726	(14,000,179)	547,157
<b>Underlying Affiliated Funds</b>	<b>Realized Gain (Loss)</b>	<b>Capital Gain Distributions</b>	<b>Dividend Income</b>	<b>Ending Value</b>
MFS Institutional Money Market Portfolio	\$	\$	\$1,826	\$547,157

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Shareholders of MFS Special Value Trust:

We have audited the accompanying statement of assets and liabilities of MFS Special Value Trust (the Fund), including the portfolio of investments, as of October 31, 2011, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2011, by correspondence with the Fund's custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MFS Special Value Trust at October 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and its financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts

December 16, 2011



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**RESULTS OF SHAREHOLDER MEETING**

(unaudited)

At the annual meeting of shareholders of MFS Special Value Trust, which was held on October 5, 2011, the following actions were taken:

**Item 1:** To elect the following individuals as Trustees:

Nominee	Number of Shares	
	For	Withheld Authority
William R. Gutow	5,900,003.575	322,623.668
Michael Hegarty	5,939,588.575	283,038.668
John P. Kavanaugh	6,036,247.575	186,379.668
Robert W. Uek	5,932,990.575	289,636.668

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

The Trustees and officers of the Trust, as of December 1, 2011, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and officer is 500 Boylston Street, Boston, Massachusetts 02116.

<b>Name, Age</b>	<b>Position(s) Held</b>	<b>Trustee/Officer</b>	<b>Term</b>	<b>Principal Occupations During</b>	<b>Other</b>
	<b>with Fund</b>	<b>Since (h)</b>	<b>Expiring</b>	<b>the Past Five Years</b>	<b>Directorships (j)</b>
<b>INTERESTED TRUSTEES</b>					
Robert J. Manning (k) (age 48)	Trustee	February 2004	2013	Massachusetts Financial Services Company, Chairman, Chief Executive Officer and Director; President (until December 2009); Chief Investment Officer (until July 2010)	N/A
Robert C. Pozen (k) (age 65)	Trustee	February 2004	2012	Massachusetts Financial Services Company, Chairman Emeritus; Chairman (until July 2010)	Medtronic, Inc, (medical devices), Director (since 2004); The Nielsen Company (market research), Director (since 2010); Telesat (satellite communications), Director (until November 2007); Bell Canada Enterprises (telecommunications), Director (until February 2009)

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

<b>Name, Age</b>	<b>Position(s) Held</b>	<b>Trustee/Officer</b>	<b>Term</b>	<b>Principal Occupations During</b>	<b>Other</b>
<b>with Fund</b>	<b>Since (h)</b>	<b>Expiring</b>	<b>the Past Five Years</b>	<b>Directorships (j)</b>	
<b>INDEPENDENT TRUSTEES</b>					
David H. Gunning (age 69)	Trustee and Chair of Trustees	January 2004	2012	Retired; Cleveland-Cliffs Inc. (mining products and service provider), Vice Chairman/Director (until May 2007)	Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non-Executive Chairman; Portman Limited (mining), Director (until 2008)
Robert E. Butler (age 70)	Trustee	January 2006	2012	Consultant investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb  (age 56)	Trustee	January 2009	2013	Private investor	N/A
William R. Gutow (age 70)	Trustee	December 1993	2011	Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman	Atlantic Coast Tan (tanning salons), Vice Chairman (until 2007); Texas Donuts (donut franchise), Vice Chairman (until 2010)
Michael Hegarty (age 66)	Trustee	December 2004	2011	Private investor	N/A

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

<b>Name, Age</b>	<b>Position(s) Held</b>	<b>Trustee/Officer</b>	<b>Term</b>	<b>Principal Occupations During</b>	<b>Other</b>
	<b>with Fund</b>	<b>Since (h)</b>	<b>Expiring</b>	<b>the Past Five Years</b>	<b>Directorships (j)</b>
John P. Kavanaugh  (age 57)	Trustee	January 2009	2011	Private investor; The Hanover Insurance Group, Inc., Vice President and Chief Investment Officer (until 2006); Allmerica Investment Trust, Allmerica Securities Trust and Opus Investment Trust (investment companies), Chairman, President and Trustee (until 2006)	N/A
J. Dale Sherratt (age 73)	Trustee	June 1989	2012	Insight Resources, Inc. (acquisition planning specialists), President; Wellfleet Investments (investor in health care companies), Managing General Partner	N/A
Laurie J. Thomsen (age 54)	Trustee	March 2005	2013	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (property and casualty insurance), Director
Robert W. Uek (age 70)	Trustee	January 2006	2011	Consultant to investment company industry	N/A
<b>OFFICERS</b> Maria F. DiOrioDwyer (k) (age 52)	President	March 2004	N/A	Massachusetts Financial Services Company, Executive Vice President and Chief Regulatory Officer  Chief Compliance Officer (since December 2006)	N/A

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

<b>Name, Age</b>	<b>Position(s) Held</b>	<b>Trustee/Officer</b>	<b>Term</b>	<b>Principal Occupations During</b>	<b>Other</b>
	<b>with Fund</b>	<b>Since (h)</b>	<b>Expiring</b>	<b>the Past Five Years</b>	<b>Directorships (j)</b>
Christopher R. Bohane (k) (age 37)	Assistant Secretary and Assistant Clerk	July 2005	N/A	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
John M. Corcoran (k)  (age 46)	Treasurer	October 2008	N/A	Massachusetts Financial Services Company, Senior Vice President (since October 2008); State Street Bank and Trust (financial services provider), Senior Vice President, (until September 2008)	N/A
Ethan D. Corey (k) (age 48)	Assistant Secretary and Assistant Clerk	July 2005	N/A	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
David L. DiLorenzo (k) (age 43)	Assistant Treasurer	July 2005	N/A	Massachusetts Financial Services Company, Vice President	N/A
Timothy M. Fagan (k) (age 43)	Assistant Secretary and Assistant Clerk	September 2005	N/A	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A

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

<b>Name, Age</b>	<b>Position(s) Held</b>	<b>Trustee/Officer</b>	<b>Term</b>	<b>Principal Occupations During</b>	<b>Other</b>
	<b>with Fund</b>	<b>Since (h)</b>	<b>Expiring</b>	<b>the Past Five Years</b>	<b>Directorships (j)</b>
Robyn L. Griffin (age 36)	Assistant Independent Chief Compliance Officer	August 2008	N/A	Griffin Compliance LLC (provider of compliance services), Principal (since August 2008); State Street Corporation (financial services provider), Mutual Fund Administration Assistant Vice President (October 2006 July 2008); Liberty Mutual Group (insurance), Personal Market Assistant Controller (April 2006 October 2006); Deloitte & Touche LLP (professional services firm	N/A
Brian E. Langenfeld (k) (age 38)	Assistant Secretary and Assistant Clerk	June 2006	N/A	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Ellen Moynihan (k) (age 54)	Assistant Treasurer	April 1997	N/A	Massachusetts Financial Services Company, Senior Vice President	N/A
Susan S. Newton (k) (age 61)	Assistant Secretary and Assistant Clerk	May 2005	N/A	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
Susan A. Pereira (k) (age 41)	Assistant Secretary and Assistant Clerk	July 2005	N/A	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Mark N. Polebaum (k) (age 59)	Secretary and Clerk	January 2006	N/A	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A

**Table of Contents**

*Trustees and Officers continued*

<b>Name, Age</b>	<b>Position(s) Held</b>	<b>Trustee/Officer Since (h)</b>	<b>Term Expiring</b>	<b>Principal Occupations During the Past Five Years</b>	<b>Other Directorships (j)</b>
Frank L. Tarantino (age 67)	Independent Chief Compliance Officer	June 2004	N/A	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel (k) (age 41)	Assistant Secretary and Assistant Clerk	October 2007	N/A	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
James O. Yost (k) (age 51)	Assistant Treasurer	September 1990	N/A	Massachusetts Financial Services Company, Senior Vice President	N/A

(h) Date first appointed to serve as Trustee/officer of an MFS fund. Each Trustee has served continuously since appointment unless indicated otherwise. For the period from December 15, 2004 until February 22, 2005, Messrs. Pozen and Manning served as Advisory Trustees. For the period March 2008 until October 2008, Ms. DiOrioDwyer served as Treasurer of the Funds.

(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., public companies).

(k) Interested person of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of position with MFS. The address of MFS is 500 Boylston Street, Boston, Massachusetts 02116. The Trust holds annual shareholder meetings for the purpose of electing Trustees, and Trustees are elected for fixed terms. The Board of Trustees is currently divided into three classes, each having a term of three years which term expires on the date of the third annual meeting following the election to office of the Trustee's class. Each year the term of one class expires. Each Trustee and officer will serve until next elected or his or her earlier death, resignation, retirement or removal.

Messrs. Butler, Kavanaugh, and Uek and Ms. Thomsen are members of the Fund's Audit Committee.

Each of the Fund's Trustees and officers holds comparable positions with certain other funds of which MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2011, the Trustees served as board members of 105 funds within the MFS Family of Funds.

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*Trustees and Officers continued*

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

**Investment Adviser**

Massachusetts Financial Services Company  
500 Boylston Street, Boston, MA 02116-3741

**Portfolio Managers**

William Adams  
David Cole  
Brooks Taylor

**Custodian**

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

**Independent Registered Public Accounting Firm**

Ernst & Young LLP  
200 Clarendon Street, Boston, MA 02116



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## BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested ( independent ) Trustees, voting separately, annually approve the continuation of the Fund's investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2011 ( contract review meetings ) for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the MFS Funds ). The independent Trustees were assisted in their evaluation of the Fund's investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds' Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

In connection with their deliberations regarding the continuation of the investment advisory agreement, the Trustees, including the independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. The investment advisory agreement for the Fund was considered separately, although the Trustees also took into account the common interests of all MFS Funds in their review. As described below, the Trustees considered the nature, quality, and extent of the various investment advisory, administrative, and shareholder services performed by MFS under the existing investment advisory agreement and other arrangements with the Fund.

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Lipper Inc., an independent third party, on the investment performance (based on net asset value) of the Fund for various time periods ended December 31, 2010 and the investment performance (based on net asset value) of a group of funds with substantially similar investment classifications/objectives (the Lipper performance universe ), (ii) information provided by Lipper Inc. on the Fund's advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Lipper Inc. (the Lipper expense group ), (iii) information provided by MFS on the advisory fees of comparable portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what

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*Board Review of Investment Advisory Agreement continued*

extent applicable expense waivers, reimbursements or fee breakpoints are observed for the Fund, (v) information regarding MFS financial results and financial condition, including MFS and certain of its affiliates estimated profitability from services performed for the Fund and the MFS Funds as a whole, and compared to MFS institutional business, (vi) MFS views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS senior management and other personnel providing investment advisory, administrative and other services to the Fund and the other MFS Funds. The comparative performance, fee and expense information prepared and provided by Lipper Inc. was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

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

Based on information provided by Lipper Inc., the Trustees reviewed the Fund's total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund's common shares in comparison to the performance of funds in its Lipper performance universe over the three-year period ended December 31, 2010, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund's common shares ranked 5th out of a total of 5 funds in the Lipper performance universe for this three-year period (a ranking of first place out of the total number of funds in the performance universe indicating the best performer and a ranking of last place out of the total number of funds in the performance universe indicating the worst performer). The total return performance of the Fund's common shares ranked 1st out of a total of 5 funds for the one-year period and 5th out of a total of

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*Board Review of Investment Advisory Agreement continued*

5 funds for the five-year period ended December 31, 2010. Given the size of the Lipper performance universe and information previously provided by MFS regarding differences between the Fund and other funds in its Lipper performance universe, the Trustees also reviewed the Fund's performance in comparison to a custom benchmark developed by MFS. The Fund out-performed its custom benchmark for the one-year period ended December 31, 2010 (16.7% total return for the Fund versus 15.3% total return for the benchmark) and under-performed its custom benchmark for each of the three and five-year periods ended December 31, 2010 (three-year: 5.1% total return for the Fund versus 5.2% total return for the benchmark; five-year: 4.4% total return for the Fund versus 6.4% total return for the benchmark). Because of the passage of time, these performance results are likely to differ from the performance results for more recent periods, including those shown elsewhere in this report.

The Trustees expressed continued concern to MFS about the substandard investment performance of the Fund. In the course of their deliberations, the Trustees took into account information provided by MFS in connection with the contract review meetings, as well as during investment review meetings conducted with portfolio management personnel during the course of the year as to MFS' efforts to improve the Fund's performance, including assigning new portfolio managers for the Fund in 2009 and 2011. In addition, the Trustees requested that they receive a separate update on the Fund's performance at each of their regular meetings. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, MFS' responses and efforts and plans to improve investment performance were sufficient to support approval of the continuance of the investment advisory agreement for an additional one-year period, but that they would continue to closely monitor the performance of the Fund.

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's common shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. The Trustees considered that, MFS has agreed in writing to reduce its advisory fee, which may not be changed without the Trustees' approval. The Trustees also considered that according to the Lipper data (which takes into account any fee reductions or expense limitations that were in effect during the Fund's last fiscal year), the Fund's effective advisory fee rate and the Fund's total expense ratio were each higher than the Lipper expense group median.

The Trustees also considered the advisory fees charged by MFS to institutional accounts. In comparing these fees, the Trustees considered information

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*Board Review of Investment Advisory Agreement continued*

provided by MFS as to the generally broader scope of services provided by MFS to the Fund in comparison to institutional accounts and the impact on MFS and expenses associated with the more extensive regulatory regime to which the Fund is subject in comparison to institutional accounts.

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

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

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

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

The Trustees also considered the nature, quality, cost, and extent of administrative services provided to the Fund by MFS under agreements other than the investment advisory agreement. The Trustees also considered the nature, extent and quality of certain other services MFS performs or arranges for on the Fund's behalf, which may include securities lending programs, directed expense payment programs, class action recovery programs, and MFS

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*Board Review of Investment Advisory Agreement continued*

interaction with third-party service providers, principally custodians and sub-custodians. The Trustees concluded that the various non-advisory services provided by MFS and its affiliates on behalf of the Fund were satisfactory.

The Trustees also considered benefits to MFS from the use of the Fund's portfolio brokerage commissions, if applicable, to pay for investment research and various other factors. Additionally, the Trustees considered so-called "fall-out benefits" to MFS such as reputational value derived from serving as investment manager to the Fund.

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including a majority of the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2011.

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

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### **PROXY VOTING POLICIES AND INFORMATION**

A general description of the MFS funds' proxy voting policies and procedures is available without charge, upon request, by calling 1-800-225-2606, by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at <http://www.sec.gov>.

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

### **QUARTERLY PORTFOLIO DISCLOSURE**

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

Public Reference Room

Securities and Exchange Commission

100 F Street, NE, Room 1580

Washington, D.C. 20549

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

### **FURTHER INFORMATION**

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

### **FEDERAL TAX INFORMATION (unaudited)**

The fund will notify shareholders of amounts for use in preparing 2011 income tax forms in January 2012. The following information is provided pursuant to provisions of the Internal Revenue Code.

The fund designates the maximum amount allowable as qualified dividend income eligible for the 15% tax rate.

For corporate shareholders, 8.35% of the ordinary income dividends paid during the fiscal year qualify for the corporate dividends received deduction.

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**FACTS**

WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?

**Why?**

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

**What?**

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

Social Security number and account balances

Account transactions and transaction history

Checking account information and wire transfer instructions