

MFS INTERMEDIATE HIGH INCOME FUND

Form N-CSR

January 31, 2012

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-05567

MFS INTERMEDIATE HIGH INCOME FUND

(Exact name of registrant as specified in charter)

500 Boylston Street, Boston, Massachusetts 02116

(Address of principal executive offices) (Zip code)

Susan S. Newton

Massachusetts Financial Services Company

500 Boylston Street

Boston, Massachusetts 02116

(Name and address of agents for service)

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

Date of fiscal year end: November 30

Date of reporting period: November 30, 2011

Table of Contents

ITEM 1. REPORTS TO STOCKHOLDERS.

Table of Contents

MFS® Intermediate High Income Fund

ANNUAL REPORT

November 30, 2011

CIH-ANN

Table of Contents

MFS® INTERMEDIATE HIGH INCOME FUND

New York Stock Exchange Symbol: **CIF**

<u>Letter from the Chairman and CEO</u>	1
<u>Portfolio composition</u>	2
<u>Management review</u>	4
<u>Performance summary</u>	6
<u>Investment objective, principal investment strategies and risks of the fund</u>	8
<u>Portfolio managers profiles</u>	10
<u>Dividend reinvestment and cash purchase plan</u>	11
<u>Portfolio of investments</u>	12
<u>Statement of assets and liabilities</u>	28
<u>Statement of operations</u>	29
<u>Statements of changes in net assets</u>	30
<u>Statement of cash flows</u>	31
<u>Financial highlights</u>	32
<u>Notes to financial statements</u>	34
<u>Report of independent registered public accounting firm</u>	47
<u>Results of shareholder meeting</u>	48
<u>Trustees and officers</u>	49
<u>Board review of investment advisory agreement</u>	55
<u>Proxy voting policies and information</u>	60
<u>Quarterly portfolio disclosure</u>	60
<u>Further information</u>	60
<u>Federal tax information</u>	60
<u>MFS® privacy notice</u>	61
<u>Contact information</u> back cover	

NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

Table of Contents

LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholders:

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. 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 and the long-term debt ratings of 15 eurozone nations put on negative watch.

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®

January 13, 2012

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

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

Energy Independent	11.2%
Medical & Health Technology & Services	7.8%
Broadcasting	7.6%
Utilities-Electric Power	7.0%
Gaming & Lodging	6.5%

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

A	0.1%
BBB	7.6%
BB	40.9%
B	59.8%
CCC	22.7%
CC	0.8%
C	0.3%
Not Rated	0.6%
Non-Fixed Income	1.5%
Cash & Other	(34.3)%

Portfolio facts (i)

Average Duration (d)	6.2
Average Effective Maturity (m)	7.1 yrs.

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

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

Table of Contents

Portfolio Composition continued

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

Percentages are based on net assets as of 11/30/11.

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

Table of Contents

MANAGEMENT REVIEW

Summary of Results

The MFS Intermediate High Income Fund (the fund) is a closed-end fund investing primarily in high-yield fixed income securities in lower-rated categories.

For the twelve months ended November 30, 2011, shares of the fund provided a total return of 4.19%, at net asset value. This compares with a return of 4.09% 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 4.12% over the reporting period.

Market Environment

Early in the period, the U.S. Federal Reserve (the Fed) responded to weak economic growth by loosening monetary policy further. More easing by the Fed improved market sentiment and drove risk-asset prices markedly higher. The December 2010 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, the yields of the perceived safest global sovereign credits rose, indicating a renewed risk-seeking environment.

However, towards the middle of the period, a weakening macroeconomic backdrop and renewed concerns over peripheral euro zone sovereign debt caused a flight-to-quality move that pushed high-quality sovereign bond yields lower. 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 of these developments, global consumer and producer sentiment indicators fell precipitously and highly-rated sovereign bond yields hit multi-decade lows. Towards the end of the reporting period, uncertainty in financial markets spiked higher as markets more seriously contemplated the possible failure of the euro zone.

Contributors to Performance

The fund's return from yield, which was greater than that of the Barclays Capital U.S. High-Yield Corporate Bond Index, was a major driver of positive relative performance. Yield curve (y) positioning in the U.S., particularly our greater exposure to shifts in the long end of the yield curve (centered around maturities of 10 years or more), was another positive factor for the fund's results.

A greater exposure to corporate bonds in the *industrial* sector also contributed to strong relative results. Security selection was another area of relative

Table of Contents

Management Review continued

strength. Individual securities that were among the fund's top relative contributors included the debt of financial services firm Banc of America, insurance firm American International Group, payment processing company First Data (h), and funeral, cremation and cemetery services provider Service Corporation International.

The fund employs leverage which has been created through the use of loan agreements with a bank. To the extent that investments are purchased through the use of leverage, the fund's net asset value will increase or decrease at a greater rate than a comparable unleveraged fund. During the reporting period, the fund's use of leverage enhanced its absolute positive returns.

Detractors from Performance

A greater exposure to B and CCC rated (r) bonds, which underperformed higher-rated securities during the reporting period detracted from relative returns. The fund's greater exposure to corporate bonds in the *finance* sector also hindered relative results. Individual bond holdings that were among the fund's top relative detractors for the reporting period included the debt of aircraft manufacturer Hawker Beechcraft, cement producer Cemex, automotive financial services and insurance products provider Ally Financial, and wireless telecommunications company Wind Acquisition Finance.

Respectfully,

William Adams
Portfolio Manager

David Cole
Portfolio Manager

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

(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.

(y) A yield curve graphically depicts the yields of different maturity bonds of the same credit quality and type; a normal yield curve is upward sloping, with short-term rates lower than long-term rates.

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 11/30/11

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 Intermediate High Income Fund

Year Ended 11/30/11

	Date	Price
Net Asset Value	11/30/11	\$2.84
	11/30/10	\$3.02
New York Stock Exchange Price	11/30/11	\$2.85
	6/01/11 (high) (t)	\$3.12
	10/04/11 (low) (t)	\$2.55
	11/30/10	\$3.01

Total Returns vs Benchmarks

Year Ended 11/30/11

MFS Intermediate High Income Fund at	
New York Stock Exchange Price (r)	4.90%
Net Asset Value (r)	4.19%
Barclays Capital U.S. High-Yield Corporate Bond 2% Issuer Capped Index (f)(y)	4.09%
Barclays Capital U.S. High-Yield Corporate Bond Index (f)(y)	4.12%

(f) Source: FactSet Research Systems Inc.

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

(t) For the period December 1, 2010 through November 30, 2011.

(y) Effective 9/15/11, the primary benchmark changed from Barclays Capital U.S. High-Yield Corporate Bond Index to Barclays Capital U.S. High-Yield Corporate Bond 2% Issuer Capped Index.

Benchmark Definitions

Barclays Capital U.S. High-Yield Corporate Bond 2% Issuer Capped Index a component of the Barclays Capital U.S. High-Yield Corporate Bond Index,

Table of Contents

Performance Summary continued

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.

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

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.

Table of Contents

**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 at least 80% of the fund's net assets, including borrowings for investment purposes, in high income debt instruments.

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

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

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

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

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.

Table of Contents

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

The fund may use leverage by borrowing up to 33 1/3% of the fund's assets, including borrowings for investment purposes, and investing the proceeds pursuant to its investment strategies. If approved by the fund's Board of Trustees, the fund may use leverage by other methods.

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

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

Principal Risks

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

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

Table of Contents

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 June 2007.

Table of Contents

DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

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

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

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

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

Table of Contents**PORTFOLIO OF INVESTMENTS**

11/30/11

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

Bonds - 129.3%		
Issuer	Shares/Par	Value (\$)
Aerospace - 2.5%		
BE Aerospace, Inc., 8.5%, 2018	\$ 315,000	\$ 340,200
Bombardier, Inc., 7.5%, 2018 (n)	405,000	430,311
Bombardier, Inc., 7.75%, 2020 (n)	95,000	101,650
CPI International, Inc., 8%, 2018	250,000	213,125
Hawker Beechcraft Acquisition Co. LLC, 8.5%, 2015	346,000	86,500
Heckler & Koch GmbH, 9.5%, 2018 (z)	EUR 115,000	95,806
Huntington Ingalls Industries, Inc., 7.125%, 2021 (n)	\$ 195,000	191,100
		\$ 1,458,692
Apparel Manufacturers - 1.3%		
Hanesbrands, Inc., 8%, 2016	\$ 165,000	\$ 177,788
Hanesbrands, Inc., 6.375%, 2020	100,000	98,875
Hanesbrands, Inc., FRN, 3.769%, 2014	131,000	130,345
Phillips-Van Heusen Corp., 7.375%, 2020	335,000	355,938
		\$ 762,946
Asset-Backed & Securitized - 1.8%		
Banc of America Commercial Mortgage, Inc., FRN, 6.437%, 2051 (z)	\$ 450,000	\$ 204,643
Citigroup Commercial Mortgage Trust, FRN, 5.885%, 2049	275,000	99,567
G-Force LLC, CDO, A2, 4.83%, 2036 (z)	116,993	111,143
JPMorgan Chase Commercial Mortgage Securities Corp., B, FRN, 5.931%, 2049	250,617	100,247
JPMorgan Chase Commercial Mortgage Securities Corp., C, FRN, 5.931%, 2049	404,598	138,251
JPMorgan Chase Commercial Mortgage Securities Corp., C, FRN, 6.256%, 2051	155,000	59,620
JPMorgan Chase Commercial Mortgage Securities Corp., D, FRN, 5.931%, 2049	1,169,622	294,745
Wachovia Bank Commercial Mortgage Trust, FRN, 5.874%, 2047	250,000	46,725
Wachovia Bank Commercial Mortgage Trust, FRN, 5.934%, 2047	175,000	27,790
		\$ 1,082,731
Automotive - 5.0%		
Accuride Corp., 9.5%, 2018	\$ 445,000	\$ 418,856
Allison Transmission, Inc., 7.125%, 2019 (n)	245,000	230,913
Chrysler Group LLC/CG Co-Issuer, Inc., 8.25%, 2021 (n)	200,000	168,000
Ford Motor Co., 7.45%, 2031	280,000	328,300
Ford Motor Credit Co. LLC, 8%, 2014	125,000	134,406

Table of Contents*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Automotive - continued		
Ford Motor Credit Co. LLC, 12%, 2015	\$ 960,000	\$ 1,168,330
General Motors Financial Co., Inc., 6.75%, 2018 (n)	180,000	179,397
Jaguar Land Rover PLC, 8.125%, 2021 (n)	195,000	184,275
Lear Corp., 8.125%, 2020	120,000	129,600
		\$ 2,942,077
Basic Industry - 0.4%		
Trimas Corp., 9.75%, 2017	\$ 215,000	\$ 228,975
Broadcasting - 6.9%		
Allbritton Communications Co., 8%, 2018	\$ 255,000	\$ 242,250
AMC Networks, Inc., 7.75%, 2021 (n)	136,000	143,820
Clear Channel Communications, Inc., 9%, 2021	223,000	183,975
EH Holding Corp., 7.625%, 2021 (n)	215,000	211,238
Gray Television, Inc., 10.5%, 2015	130,000	120,900
Inmarsat Finance PLC, 7.375%, 2017 (n)	330,000	337,425
Intelsat Bermuda Ltd., 11.25%, 2017	250,000	230,000
Intelsat Jackson Holdings Ltd., 9.5%, 2016	335,000	349,238
Intelsat Jackson Holdings Ltd., 11.25%, 2016	280,000	291,200
LBI Media, Inc., 8.5%, 2017 (z)	150,000	90,000
Liberty Media Corp., 8.5%, 2029	215,000	208,819
Local TV Finance LLC, 9.25%, 2015 (p)(z)	268,809	252,680
Newport Television LLC, 13%, 2017 (n)(p)	162,257	139,451
Nexstar Broadcasting Group, Inc., 8.875%, 2017	80,000	80,800
Sinclair Broadcast Group, Inc., 9.25%, 2017 (n)	125,000	134,063
Sinclair Broadcast Group, Inc., 8.375%, 2018	40,000	40,500
SIRIUS XM Radio, Inc., 13%, 2013 (n)	110,000	124,300
SIRIUS XM Radio, Inc., 8.75%, 2015 (n)	220,000	238,700
SIRIUS XM Radio, Inc., 7.625%, 2018 (n)	170,000	175,100
Univision Communications, Inc., 6.875%, 2019 (n)	240,000	222,600
Univision Communications, Inc., 7.875%, 2020 (n)	150,000	141,750
Univision Communications, Inc., 8.5%, 2021 (n)	135,000	111,375
		\$ 4,070,184
Brokerage & Asset Managers - 1.0%		
E*TRADE Financial Corp., 7.875%, 2015	\$ 260,000	\$ 258,700
E*TRADE Financial Corp., 12.5%, 2017	300,000	339,000
		\$ 597,700
Building - 2.5%		
Associated Materials LLC, 9.125%, 2017	\$ 50,000	\$ 42,311
Building Materials Holding Corp., 6.875%, 2018 (n)	165,000	165,825
Building Materials Holding Corp., 7%, 2020 (n)	115,000	119,025

Table of Contents*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Building - continued		
Building Materials Holding Corp., 6.75%, 2021 (n)	\$ 100,000	\$ 99,500
CEMEX S.A., 9.25%, 2020	375,000	255,000
Masonite International Corp., 8.25%, 2021 (n)	130,000	122,200
Nortek, Inc., 10%, 2018 (n)	120,000	111,600
Nortek, Inc., 8.5%, 2021 (n)	245,000	201,513
Owens Corning, 9%, 2019	220,000	259,503
Roofing Supply Group LLC/Roofing Supply Finance, Inc., 8.625%, 2017 (n)	85,000	83,938
		\$ 1,460,415
Business Services - 2.0%		
Ceridian Corp., 12.25%, 2015 (p)	\$ 95,000	\$ 74,336
iGate Corp., 9%, 2016 (n)	289,000	289,000
Interactive Data Corp., 10.25%, 2018	275,000	294,250
Iron Mountain, Inc., 8.375%, 2021	220,000	231,000
SunGard Data Systems, Inc., 10.25%, 2015	197,000	202,910
SunGard Data Systems, Inc., 7.375%, 2018	100,000	98,500
		\$ 1,189,996
Cable TV - 6.1%		
Bresnan Broadband Holdings LLC, 8%, 2018 (n)	\$ 60,000	\$ 60,750
Cablevision Systems Corp., 8.625%, 2017	375,000	391,875
Cablevision Systems Corp., 8%, 2020	70,000	71,050
CCH II LLC, 13.5%, 2016	285,000	328,461
CCO Holdings LLC, 7.875%, 2018	355,000	367,869
CCO Holdings LLC, 8.125%, 2020	400,000	422,000
Cequel Communications Holdings, 8.625%, 2017 (n)	120,000	122,100
CSC Holdings LLC, 8.5%, 2014	255,000	282,731
EchoStar Corp., 7.125%, 2016	160,000	164,400
Insight Communications Co., Inc., 9.375%, 2018 (n)	200,000	226,250
Mediacom LLC, 9.125%, 2019	205,000	213,713
ONO Finance II PLC, 10.875%, 2019 (n)	150,000	124,500
Telenet Finance Luxembourg, 6.375%, 2020 (n)	EUR 100,000	125,804
UPCB Finance III Ltd., 6.625%, 2020 (n)	\$ 354,000	338,070
Videotron LTEE, 6.875%, 2014	67,000	67,251
Virgin Media Finance PLC, 9.5%, 2016	200,000	219,000
Ziggo Bond Co. B.V., 8%, 2018 (n)	EUR 85,000	111,074
		\$ 3,636,898
Chemicals - 5.1%		
Celanese U.S. Holdings LLC, 6.625%, 2018	\$ 335,000	\$ 350,075
Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, 8.875%, 2018	465,000	419,663
Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, 9%, 2020	60,000	47,100

Table of Contents*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Chemicals - continued		
Huntsman International LLC, 8.625%, 2021	\$ 285,000	\$ 289,275
Lyondell Chemical Co., 8%, 2017	34,000	36,890
Lyondell Chemical Co., 11%, 2018	439,476	473,535
LyondellBasell Industries, Inc., 6%, 2021 (z)	275,000	280,500
Momentive Performance Materials, Inc., 12.5%, 2014	455,000	477,750
Momentive Performance Materials, Inc., 11.5%, 2016	260,000	185,900
Nalco Co., 8.25%, 2017	55,000	61,463
Polypore International, Inc., 7.5%, 2017	255,000	261,375
Solutia, Inc., 7.875%, 2020	145,000	154,425
		\$ 3,037,951
Computer Software - 1.0%		
Lawson Software, Inc., 11.5%, 2018 (n)	\$ 300,000	\$ 285,750
Syniverse Holdings, Inc., 9.125%, 2019	275,000	281,875
		\$ 567,625
Computer Software - Systems - 1.6%		
Audatex North America, Inc., 6.75%, 2018 (n)	\$ 140,000	\$ 141,050
CDW LLC, 8.5%, 2019 (n)	305,000	286,700
CDW LLC/CDW Finance Corp., 12.535%, 2017	95,000	94,050
DuPont Fabros Technology, Inc., REIT, 8.5%, 2017	350,000	369,250
Eagle Parent, Inc., 8.625%, 2019 (n)	95,000	88,113
		\$ 979,163
Conglomerates - 2.2%		
Amsted Industries, Inc., 8.125%, 2018 (n)	\$ 330,000	\$ 343,200
Dynacast International LLC, 9.25%, 2019 (z)	200,000	186,500
Griffon Corp., 7.125%, 2018	365,000	352,225
Tomkins LLC/Tomkins, Inc., 9%, 2018	373,000	402,840
		\$ 1,284,765
Consumer Products - 1.6%		
Easton-Bell Sports, Inc., 9.75%, 2016	\$ 145,000	\$ 155,513
Elizabeth Arden, Inc., 7.375%, 2021	220,000	229,350
Jarden Corp., 7.5%, 2020	195,000	207,919
Libbey Glass, Inc., 10%, 2015	131,000	139,515
Visant Corp., 10%, 2017	235,000	216,200
		\$ 948,497
Consumer Services - 1.7%		
Realogy Corp., 11.5%, 2017	\$ 170,000	\$ 129,625
Service Corp. International, 6.75%, 2015	25,000	26,563
Service Corp. International, 7%, 2017	785,000	839,950
		\$ 996,138

Table of Contents*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Containers - 2.1%		
Exopack Holding Corp., 10%, 2018 (z)	\$ 155,000	\$ 153,450
Graham Packaging Co. LP/GPC Capital Corp., 9.875%, 2014	175,000	177,188
Greif, Inc., 6.75%, 2017	350,000	364,000
Packaging Dynamics Corp., 8.75%, 2016 (z)	65,000	64,350
Reynolds Group, 8.75%, 2016 (n)	100,000	103,250
Reynolds Group, 7.125%, 2019 (n)	225,000	219,938
Reynolds Group, 8.25%, 2021 (n)	125,000	106,250
Sealed Air Corp., 8.125%, 2019 (n)	40,000	42,400
Sealed Air Corp., 8.375%, 2021 (n)	40,000	42,700
		\$ 1,273,526
Defense Electronics - 0.7%		
Ducommun, Inc., 9.75%, 2018 (n)	\$ 166,000	\$ 170,980
ManTech International Corp., 7.25%, 2018	145,000	148,625
MOOG, Inc., 7.25%, 2018	90,000	91,575
		\$ 411,180
Electrical Equipment - 0.2%		
Avaya, Inc., 9.75%, 2015	\$ 155,000	\$ 121,286
Electronics - 0.9%		
Freescale Semiconductor, Inc., 9.25%, 2018 (n)	\$ 225,000	\$ 234,563
Freescale Semiconductor, Inc., 8.05%, 2020	85,000	76,925
Sensata Technologies B.V., 6.5%, 2019 (n)	255,000	247,350
		\$ 558,838
Energy - Independent - 10.9%		
ATP Oil & Gas Corp., 11.875%, 2015	\$ 245,000	\$ 161,700
Berry Petroleum Co., 10.25%, 2014	150,000	169,500
Bill Barrett Corp., 9.875%, 2016	160,000	175,200
Bill Barrett Corp., 7.625%, 2019	65,000	67,111
Carrizo Oil & Gas, Inc., 8.625%, 2018 (z)	40,000	39,400