

MFS SPECIAL VALUE TRUST

Form N-CSR

January 04, 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, 2010

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**ITEM 1. REPORTS TO STOCKHOLDERS.**

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Annual report

# MFS® Special Value Trust

10/31/10

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 CEO

Dear Shareholders:

After an extended rebound in the financial markets, uncertainty returned in early 2010 as investors began to question the durability of the recovery for global economies and markets. That uncertainty led to increased risk aversion, especially as investors saw the eurozone struggle with the debt woes of many of its members. In September, the U.S. Federal Reserve Board's promises to further loosen monetary policy helped assuage market fears and drive asset prices off their recent lows. A combination of solid earnings and improving economic data gave an additional boost to investor sentiment. As we near the end of 2010, we are cautiously optimistic that economic growth will continue to improve and that the global economies will recover from the shocks of the past few years. We expect the pace of recovery worldwide will be uneven and volatile.

As always, we continue to be mindful of the many challenges faced at the individual, 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 investment opportunities.

Respectfully,

Robert J. Manning

Chairman and Chief Executive Officer

MFS Investment Management®

December 15, 2010

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

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## PORTFOLIO COMPOSITION

**Portfolio structure (i)**

**Top ten holdings (i)**

|                                            |      |
|--------------------------------------------|------|
| Ford Motor Credit Company, 12.0%, 2015     | 1.6% |
| Thermo Fisher Scientific                   | 1.2% |
| Exxon Mobil                                | 1.1% |
| Apache Corp.                               | 1.0% |
| Noble energy, Inc.                         | 0.9% |
| Procter & Gamble Co.                       | 0.9% |
| Danaher Corp.                              | 0.9% |
| Vodafone Group, Plc.                       | 0.8% |
| CIT Group 7.0%, 2017                       | 0.8% |
| Univision Communications Inc. 10.50%, 2015 | 0.8% |

**Equity sectors**

|                             |      |
|-----------------------------|------|
| Financial Services          | 3.9% |
| Energy                      | 3.3% |
| Utilities & Communications  | 2.5% |
| Basic Materials             | 2.3% |
| Consumer Staples            | 2.3% |
| Health Care                 | 2.3% |
| Leisure                     | 1.8% |
| Retailing                   | 1.8% |
| Autos & Housing             | 1.0% |
| Industrial Goods & Services | 0.9% |
| Technology                  | 0.9% |
| Transportation              | 0.5% |

**Fixed income sectors (i)**

|                                       |       |
|---------------------------------------|-------|
| High Yield Corporates                 | 67.5% |
| Emerging Markets Bonds                | 3.3%  |
| High Grade Corporates                 | 2.0%  |
| Floating Rate Loans                   | 1.5%  |
| Commercial Mortgage-Backed Securities | 1.4%  |
| Collateralized Debt Obligations       | 0.1%  |

**Table of Contents***Portfolio Composition continued*

|                                                                 |       |
|-----------------------------------------------------------------|-------|
| <b>Composition including fixed income credit quality (a)(i)</b> |       |
| AAA (o)                                                         | 0.0%  |
| A                                                               | 0.1%  |
| BBB                                                             | 2.6%  |
| BB                                                              | 17.6% |
| B                                                               | 31.1% |
| CCC                                                             | 20.4% |
| CC                                                              | 0.5%  |
| C                                                               | 0.2%  |
| D                                                               | 0.4%  |
| Other Fixed Income (NR)                                         | 2.9%  |
| Non-Fixed Income (NR)                                           | 23.5% |
| Cash & Other                                                    | 0.7%  |

- (a) The rating categories include debt securities and fixed-income structured products where these have long-term public ratings. All ratings are assigned in accordance with the following hierarchy: If a security is rated by Moody's, then that rating is used; if not rated by Moody's, then a Standard & Poor's rating is used; if not rated by S&P, then a Fitch rating is used. Ratings from Moody's are shown in the S&P and Fitch scale (e.g., AAA). All ratings are subject to change. Other Fixed Income (NR) includes unrated long-term fixed income securities, interest rate swaps and fixed income futures. Non-Fixed Income (NR) includes equity securities (including convertible bonds and equity derivatives) and commodities. Cash and Other includes cash, other assets less liabilities, offsets to derivative positions and short-term securities. The fund may not hold all of these instruments.
- (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 10/31/10.

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, 2010, the MFS Special Value Trust provided a total return of 18.63%, at net asset value. This compares with a return of 19.35% for the fund's benchmark, the Barclays Capital U.S. High-Yield Corporate Bond Index. The fund's other benchmarks, the Russell 1000 Value Index and the Special Value Trust Blended Index (the "Blended Index"), generated returns of 15.71% and 18.20%, respectively. 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**

The first half of the reporting period witnessed a continuation of the financial market and macroeconomic rebounds that had begun in early 2009. These recoveries in global activity and asset valuations were generally synchronized around the world, led importantly by emerging Asian economies, but broadening to include most of the global economy to varying degrees. Primary drivers of the recoveries included an unwinding of the inventory destocking that took place earlier, the production of manufacturing and capital goods, as well as massive fiscal and monetary stimulus.

During the second half of the period, heightened risk surrounding the public-debt profiles of several of the peripheral European countries impaired market sentiment. At the same time, the improving trend in global macroeconomic data began to weaken somewhat. These two dynamics caused many asset prices to retrench significantly, as many questioned the durability of the global recovery.

Towards the end of the period, the U.S. Federal Reserve led markets to believe that further monetary loosening would be forthcoming if macroeconomic activity did not show signs of improvement. Although policy uncertainty remained very elevated, the prospects for more easing by the Fed improved market sentiment and drove asset prices well off their recent lows.

## **Detractors from Performance**

Within the fixed income portion of the fund, credit quality, particularly the fund's lesser exposure to BB- rated (r) and greater exposure to CCC rated securities, held back performance relative to the Barclays Capital U.S. High-Yield Corporate Bond Index. A lower relative exposure to debt within the *industrial* sector also

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### *Management Review continued*

detracted from relative results. Holdings of individual debt securities that hurt relative returns included casino resort operators Green Valley Ranch Gaming and Station Casinos, payment processing company First Data, electricity company Texas Competitive Electric Holdings, digital imaging and broadcast engineering services provider NGC Corp., and oil sands development company OPTI Canada.

Within the equity portion of the fund, stock selection in the *financial services* sector hurt performance relative to the Russell 1000 Value Index. The fund's holdings of brokerage services firm Charles Schwab (b) and investment banking firm Goldman Sachs Group were among the fund's top relative detractors over the reporting period. The timing of our ownership in insurance company Prudential Financial and financial services firm Marshall & Ilsley also held back relative returns.

Stock selection in the *technology* sector was another negative factor for relative performance. The fund's holdings of computer products and services provider Hewlett Packard hindered relative results.

Stocks in other sectors that dampened relative results included grocery chain Kroger Company and drugstore retailer CVS (h). The timing of our ownership in oil and gas exploration company Anadarko Petroleum (h), diversified medical products maker Johnson & Johnson (h), and steel products company U.S. Steel also hurt relative results.

During the reporting period, the fund's currency exposure was another detractor from relative performance. All of MFS' investment decisions are driven by the fundamentals of each individual opportunity and as such, it is common for our funds to have different currency exposure than the benchmark.

### **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 greater exposure to B+ rated securities also helped relative performance. Top contributing securities to the fund's relative returns included the debt of television station holding company Newport Television, television broadcasting station operator Local TV Finance, Spanish television network Univision, insurance firm American International Group (AIG), and Spanish-language radio and television station operator LBI Media Holdings.

Within the equity portion of the fund, stock selection in the *health care* and *autos & housing* sectors boosted performance relative to the Russell 1000 Value Index. In the *autos & housing* sector, holdings of multi-industrial company Johnson Controls aided relative returns as this stock significantly outperformed

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*Management Review continued*

the benchmark over the reporting period. Within the *health care* sector, the timing of our ownership in medical device maker Medtronic (h) also benefited relative results.

Top relative contributors in other sectors included toy maker Hasbro, chemical company PPG Industries, cruise line operator Royal Caribbean Cruises (h), integrated communications company CenturyLink, and specialty retailer Limited Brands. The fund's positioning in integrated oil and gas company Exxon Mobil, which underperformed the benchmark over the reporting period, and not holding poor-performing financial services firms, JPMorgan Chase and Wells Fargo, also helped relative performance.

Respectfully,

John Addeo  
Portfolio Manager

David Cole  
Portfolio Manager

Brooks Taylor  
Portfolio Manager

(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 primary source for bond quality ratings is Moody's Investors Service. If not available, ratings by Standard & Poor's are used, else ratings by Fitch, Inc. 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.

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## PERFORMANCE SUMMARY THROUGH 10/31/10

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 10/31/10

|                               | Date               | Price  |
|-------------------------------|--------------------|--------|
| Net Asset Value               | 10/31/10           | \$7.23 |
|                               | 10/31/09           | \$6.71 |
| New York Stock Exchange Price | 10/31/10           | \$7.95 |
|                               | 6/07/10 (high) (t) | \$8.45 |
|                               | 11/20/09 (low) (t) | \$6.15 |
|                               | 10/31/09           | \$6.23 |

### Total Returns vs Benchmarks

Year Ended 10/31/10

|                                                           |        |
|-----------------------------------------------------------|--------|
| MFS Special Value Trust at                                |        |
| New York Stock Exchange Price (r)                         | 40.46% |
| Net Asset Value (r)                                       | 18.63% |
| Barclays Capital U.S. High-Yield Corporate Bond Index (f) | 19.35% |
| Special Value Trust Blended Index (f)(x)                  | 18.20% |

(f) Source: FactSet Research Systems Inc.

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

(t) For the period November 1, 2009 through October 31, 2010.

(x) Special Value Trust Blended Index is at a point in time and allocations during the period can change. As of October 31, 2010 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 Market Bond Index Global.

### Benchmark Definitions

Barclays Capital U.S. High-Yield Corporate Bond Index a market capitalization-weighted index that measures the performance of non-investment



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### *Performance Summary continued*

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 17.70% for the year ended October 31, 2010.

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 15.71% for the year ended October 31, 2010.

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 prices 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 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.

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

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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**

Massachusetts Financial Services Company (MFS), the fund's investment adviser, normally invests the fund's assets 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 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.

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

MFS uses a bottom-up investment approach 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 methods of creating leverage, and investing the proceeds pursuant to its investment strategies.

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

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 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>.

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

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## PORTFOLIO MANAGERS    PROFILES

|               |                                                                                                                                    |
|---------------|------------------------------------------------------------------------------------------------------------------------------------|
| John Addeo    | Investment Officer of MFS; employed in the investment management area of MFS since 1998. Portfolio manager of the Fund since 2002. |
| 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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10/31/10

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 - 72.6%</b>                                                   |                   |                   |
| <b>Issuer</b>                                                          | <b>Shares/Par</b> | <b>Value (\$)</b> |
| <b>Aerospace - 1.0%</b>                                                |                   |                   |
| BE Aerospace, Inc., 8.5%, 2018                                         | \$ 90,000         | \$ 100,800        |
| Bombardier, Inc., 7.5%, 2018 (n)                                       | 105,000           | 114,713           |
| Hawker Beechcraft Acquisition Co. LLC, 8.5%, 2015                      | 203,000           | 163,669           |
| Oshkosh Corp., 8.25%, 2017                                             | 40,000            | 43,700            |
| Oshkosh Corp., 8.5%, 2020                                              | 55,000            | 60,913            |
|                                                                        |                   | \$ 483,795        |
| <b>Airlines - 0.1%</b>                                                 |                   |                   |
| American Airlines Pass-Through Trust, 7.377%, 2019                     | \$ 48,619         | \$ 45,945         |
| <b>Apparel Manufacturers - 0.2%</b>                                    |                   |                   |
| Hanesbrands, Inc., 8%, 2016                                            | \$ 95,000         | \$ 102,838        |
| <b>Asset-Backed &amp; Securitized - 1.4%</b>                           |                   |                   |
| Anthracite Ltd., CDO, 6%, 2037 (z)                                     | \$ 450,000        | \$ 22,500         |
| Banc of America Commercial Mortgage, Inc., FRN, 6.194%, 2051 (z)       | 328,951           | 96,664            |
| Citigroup Commercial Mortgage Trust, FRN, 5.698%, 2049                 | 220,000           | 77,696            |
| Falcon Franchise Loan LLC, FRN, 3.071%, 2025 (i)(z)                    | 387,468           | 30,726            |
| JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 5.742%, 2049 | 595,809           | 182,324           |
| JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 5.742%, 2049 | 217,049           | 73,053            |
| JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 5.742%, 2049 | 142,189           | 52,843            |
| JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 6.061%, 2051 | 95,000            | 28,930            |
| Merrill Lynch Mortgage Trust, FRN, B, 5.825%, 2050                     | 95,000            | 30,774            |
| Merrill Lynch/Countrywide Commercial Mortgage Trust, FRN, 5.747%, 2050 | 64,000            | 51,604            |
| Morgan Stanley Capital I, Inc., FRN, 1.258%, 2039 (i)(z)               | 528,707           | 15,597            |
| 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, 5.693%, 2047             | 142,497           | 30,879            |
| Wachovia Bank Commercial Mortgage Trust, FRN, 5.753%, 2047             | 89,972            | 16,909            |
|                                                                        |                   | \$ 710,616        |

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

| <b>Issuer</b>                                                     | <b>Shares/Par</b> | <b>Value (\$)</b> |
|-------------------------------------------------------------------|-------------------|-------------------|
| <b>Bonds - continued</b>                                          |                   |                   |
| <b>Automotive - 2.6%</b>                                          |                   |                   |
| Accuride Corp., 9.5%, 2018 (n)                                    | \$ 140,000        | \$ 152,600        |
| Allison Transmission, Inc., 11%, 2015 (n)                         | 145,000           | 157,325           |
| Ford Motor Credit Co. LLC, 12%, 2015                              | 595,000           | 762,659           |
| General Motors Corp., 7.125%, 2013 (d)                            | 245,000           | 85,750            |
| Goodyear Tire & Rubber Co., 10.5%, 2016                           | 105,000           | 120,225           |
|                                                                   |                   | \$ 1,278,559      |
| <b>Basic Industry - 0.2%</b>                                      |                   |                   |
| TriMas Corp., 9.75%, 2017 (n)                                     | \$ 100,000        | \$ 109,125        |
| <b>Broadcasting - 4.4%</b>                                        |                   |                   |
| Allbritton Communications Co., 8%, 2018                           | \$ 55,000         | \$ 56,788         |
| Bonten Media Acquisition Co., 9%, 2015 (p)(z)                     | 87,862            | 42,620            |
| Entravision Communications Corp., 8.75%, 2017 (n)                 | 30,000            | 32,138            |
| Intelsat Jackson Holdings Ltd., 9.5%, 2016                        | 290,000           | 309,575           |
| Lamar Media Corp., 6.625%, 2015                                   | 170,000           | 174,463           |
| LBI Media Holdings, Inc., 11%, 2013                               | 325,000           | 292,906           |
| LBI Media, Inc., 8.5%, 2017 (z)                                   | 90,000            | 76,163            |
| Local TV Finance LLC, 10%, 2015 (p)(z)                            | 162,251           | 139,401           |
| Newport Television LLC, 13%, 2017 (n)(p)                          | 93,690            | 81,666            |
| Nexstar Broadcasting Group, Inc., 0.5% to 2011, 7% to 2014 (n)(p) | 210,471           | 195,422           |
| Nexstar Broadcasting Group, Inc., 7%, 2014                        | 69,000            | 65,550            |
| Salem Communications Corp., 9.625%, 2016                          | 33,000            | 36,053            |
| Sinclair Broadcast Group, Inc., 9.25%, 2017 (n)                   | 55,000            | 60,500            |
| Sinclair Broadcast Group, Inc., 8.375%, 2018 (n)                  | 15,000            | 15,600            |
| SIRIUS XM Radio, Inc., 8.75%, 2015 (n)                            | 105,000           | 113,269           |
| Univision Communications, Inc., 12%, 2014 (n)                     | 28,000            | 30,975            |
| Univision Communications, Inc., 9.75%, 2015 (n)(p)                | 387,925           | 406,254           |
| Univision Communications, Inc., 7.875%, 2020 (z)                  | 45,000            | 47,250            |
| Young Broadcasting, Inc., 8.75%, 2014 (d)                         | 405,000           | 0                 |
|                                                                   |                   | \$ 2,176,593      |
| <b>Brokerage &amp; Asset Managers - 1.1%</b>                      |                   |                   |
| E*TRADE Financial Corp., 7.875%, 2015                             | \$ 155,000        | \$ 153,256        |
| E*TRADE Financial Corp., 12.5%, 2017                              | 60,000            | 69,450            |
| Janus Capital Group, Inc., 6.95%, 2017                            | 205,000           | 214,693           |
| Nuveen Investments, Inc., 10.5%, 2015                             | 90,000            | 94,050            |
|                                                                   |                   | \$ 531,449        |
| <b>Building - 1.8%</b>                                            |                   |                   |
| Associated Materials, Inc., 11.25%, 2014                          | \$ 230,000        | \$ 238,855        |
| Building Materials Holding Corp., 7%, 2020 (n)                    | 45,000            | 46,913            |
| CEMEX Finance Europe B.V., 9.625%, 2017 (n)                       | EUR 60,000        | 79,541            |

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### Portfolio of Investments continued

| Issuer                                                            | Shares/Par | Value (\$)   |
|-------------------------------------------------------------------|------------|--------------|
| Bonds - continued                                                 |            |              |
| Building - continued                                              |            |              |
| Goodman Global, Inc., 13.5%, 2016                                 | \$ 90,000  | \$ 99,113    |
| Masco Corp., 7.125%, 2020                                         | 50,000     | 52,483       |
| Nortek, Inc., 11%, 2013                                           | 205,844    | 219,224      |
| Ply Gem Industries, Inc., 11.75%, 2013                            | 70,000     | 75,163       |
| Ply Gem Industries, Inc., 13.125%, 2014                           | 80,000     | 85,500       |
|                                                                   |            | \$ 896,792   |
| Business Services - 1.7%                                          |            |              |
| First Data Corp., 9.875%, 2015                                    | \$ 200,000 | \$ 169,000   |
| Interactive Data Corp., 10.25%, 2018 (n)                          | 115,000    | 125,781      |
| Iron Mountain, Inc., 6.625%, 2016                                 | 140,000    | 140,700      |
| SunGard Data Systems, Inc., 9.125%, 2013                          | 45,000     | 46,069       |
| SunGard Data Systems, Inc., 10.25%, 2015                          | 290,000    | 305,588      |
| Terremark Worldwide, Inc., 12%, 2017                              | 55,000     | 63,113       |
|                                                                   |            | \$ 850,251   |
| Cable TV - 2.6%                                                   |            |              |
| Cablevision Systems Corp., 8.625%, 2017                           | \$ 70,000  | \$ 79,013    |
| CCH II LLC, 13.5%, 2016                                           | 125,000    | 149,688      |
| Charter Communications Holding Co. LLC, 7.875%, 2018 (n)          | 25,000     | 26,563       |
| Charter Communications Holding Co. LLC, 8.125%, 2020 (n)          | 15,000     | 16,200       |
| Charter Communications Operating LLC, 10.875%, 2014 (n)           | 70,000     | 79,800       |
| CSC Holdings LLC, 8.5%, 2014                                      | 50,000     | 55,750       |
| CSC Holdings LLC, 8.5%, 2015                                      | 165,000    | 181,706      |
| EchoStar Corp., 7.125%, 2016                                      | 80,000     | 84,800       |
| Mediacom LLC, 9.125%, 2019                                        | 105,000    | 111,038      |
| Videotron LTEE, 6.875%, 2014                                      | 45,000     | 45,619       |
| Virgin Media Finance PLC, 9.125%, 2016                            | 303,000    | 323,831      |
| Virgin Media Finance PLC, 9.5%, 2016                              | 100,000    | 113,625      |
|                                                                   |            | \$ 1,267,633 |
| Chemicals - 3.0%                                                  |            |              |
| Ashland, Inc., 9.125%, 2017                                       | \$ 140,000 | \$ 161,350   |
| Celanese U.S. Holdings LLC, 6.625%, 2018 (n)                      | 65,000     | 69,063       |
| Hexion Specialty Chemicals, Inc., 8.875%, 2018                    | 120,000    | 128,850      |
| Hexion U.S. Finance Corp/Hexion Nova Scotia Finance, 9%, 2020 (z) | 25,000     | 26,000       |
| Huntsman International LLC, 8.625%, 2021 (n)                      | 95,000     | 104,144      |
| Lumena Resources Corp., 12%, 2014 (n)                             | 250,000    | 235,313      |
| Lyondell Chemical Co., 11%, 2018                                  | 177,304    | 198,580      |
| Momentive Performance Materials, Inc., 12.5%, 2014                | 163,000    | 186,228      |
| Momentive Performance Materials, Inc., 11.5%, 2016                | 142,000    | 153,715      |
| Momentive Performance Materials, Inc., 9%, 2021 (z)               | 55,000     | 57,063       |
| Omnova Solutions, Inc., 7.875%, 2018 (z)                          | 35,000     | 35,788       |

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### Portfolio of Investments continued

| Issuer                                           | Shares/Par | Value (\$)   |
|--------------------------------------------------|------------|--------------|
| Bonds - continued                                |            |              |
| Chemicals - continued                            |            |              |
| Solutia, Inc., 7.875%, 2020                      | \$ 135,000 | \$ 149,006   |
|                                                  |            | \$ 1,505,100 |
| Computer Software - Systems - 0.2%               |            |              |
| DuPont Fabros Technology, Inc., REIT, 8.5%, 2017 | \$ 95,000  | \$ 102,838   |
| Conglomerates - 0.3%                             |            |              |
| Amsted Industries, Inc., 8.125%, 2018 (n)        | \$ 105,000 | \$ 110,775   |
| Pinafore LLC, 9%, 2018 (n)                       | 35,000     | 37,450       |
|                                                  |            | \$ 148,225   |
| Consumer Products - 0.8%                         |            |              |
| ACCO Brands Corp., 10.625%, 2015                 | \$ 15,000  | \$ 16,931    |
| ACCO Brands Corp., 7.625%, 2015                  | 60,000     | 59,400       |
| Central Garden & Pet Co., 8.25%, 2018            | 75,000     | 78,750       |
| Easton-Bell Sports, Inc., 9.75%, 2016            | 55,000     | 60,225       |
| Libbey Glass, Inc., 10%, 2015 (n)                | 85,000     | 92,438       |
| NBTY, Inc., 9%, 2018 (n)                         | 10,000     | 10,625       |
| Visant Corp., 10%, 2017 (n)                      | 95,000     | 101,175      |
|                                                  |            | \$ 419,544   |
| Consumer Services - 1.0%                         |            |              |
| KAR Holdings, Inc., 10%, 2015                    | \$ 215,000 | \$ 227,363   |
| KAR Holdings, Inc., FRN, 4.465%, 2014            | 75,000     | 70,125       |
| Ticketmaster Entertainment, Inc., 10.75%, 2016   | 175,000    | 193,813      |
|                                                  |            | \$ 491,301   |
| Containers - 1.0%                                |            |              |
| Graham Packaging Holdings Co., 9.875%, 2014      | \$ 305,000 | \$ 316,438   |
| Graham Packaging Holdings Co., 8.25%, 2018 (n)   | 15,000     | 15,525       |
| Owens-Illinois, Inc., 7.375%, 2016               | 130,000    | 141,700      |
|                                                  |            | \$ 473,663   |
| Defense Electronics - 0.0%                       |            |              |
| ManTech International Corp., 7.25%, 2018         | \$ 20,000  | \$ 21,250    |
| Electronics - 0.6%                               |            |              |
| Freescale Semiconductor, Inc., 10.125%, 2018 (n) | \$ 75,000  | \$ 82,313    |
| Freescale Semiconductor, Inc., 9.25%, 2018 (n)   | 70,000     | 74,900       |
| NXP B.V., 7.875%, 2014                           | 150,000    | 155,625      |
|                                                  |            | \$ 312,838   |

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

| Issuer                                                | Shares/Par | Value (\$)   |
|-------------------------------------------------------|------------|--------------|
| <b>Bonds - continued</b>                              |            |              |
| Emerging Market Quasi-Sovereign - 1.1%                |            |              |
| BTA Bank JSC, 10.75%, 2018 (z)                        | \$ 42,605  | \$ 47,824    |
| BTA Bank JSC, 7.2%, 2025 (z)                          | 9,654      | 7,603        |
| Financing of Ukraine Infrastructure, 8.375%, 2017 (z) | 146,000    | 148,114      |
| OAQ Gazprom, 9.625%, 2013                             | 60,000     | 68,100       |
| Petroleos de Venezuela S.A., 5.25%, 2017              | 250,000    | 147,500      |
| Provincia de Buenos Aires, 11.75%, 2015 (n)           | 124,000    | 125,860      |
|                                                       |            | \$ 545,001   |
| Emerging Market Sovereign - 0.3%                      |            |              |
| Republic of Argentina, 7%, 2011                       | \$ 167,000 | \$ 169,036   |
| <b>Energy - Independent - 3.9%</b>                    |            |              |
| Anadarko Petroleum Corp., 5.95%, 2016                 | \$ 125,000 | \$ 136,706   |
| Atlas Energy Operating Co. LLC, 10.75%, 2018          | 40,000     | 45,000       |
| Berry Petroleum Co., 10.25%, 2014                     | 85,000     | 98,069       |
| Carrizo Oil & Gas, Inc., 8.625%, 2018 (z)             | 120,000    | 121,500      |
| Denbury Resources, Inc., 8.25%, 2020                  | 50,000     | 55,750       |
| Harvest Operations Corp., 6.875%, 2017 (n)            | 30,000     | 31,500       |
| Hilcorp Energy I LP, 9%, 2016 (n)                     | 160,000    | 168,800      |
| Newfield Exploration Co., 6.625%, 2016                | 50,000     | 52,000       |
| OPTI Canada, Inc., 9.75%, 2013 (n)                    | 80,000     | 81,600       |
| OPTI Canada, Inc., 8.25%, 2014                        | 180,000    | 136,350      |
| Penn Virginia Corp., 10.375%, 2016                    | 160,000    | 176,000      |
| Pioneer Natural Resources Co., 6.875%, 2018           | 105,000    | 114,685      |
| Pioneer Natural Resources Co., 7.5%, 2020             | 105,000    | 118,261      |
| Plains Exploration & Production Co., 7%, 2017         | 225,000    | 232,875      |
| Quicksilver Resources, Inc., 9.125%, 2019             | 190,000    | 202,825      |
| SandRidge Energy, Inc., 8%, 2018 (n)                  | 175,000    | 175,000      |
|                                                       |            | \$ 1,946,921 |
| <b>Energy - Integrated - 0.2%</b>                     |            |              |
| CCL Finance Ltd., 9.5%, 2014 (n)                      | \$ 105,000 | \$ 122,456   |
| <b>Entertainment - 0.9%</b>                           |            |              |
| AMC Entertainment, Inc., 11%, 2016                    | \$ 155,000 | \$ 165,269   |
| AMC Entertainment, Inc., 8.75%, 2019                  | 200,000    | 214,250      |
| Cinemark USA, Inc., 8.625%, 2019                      | 75,000     | 80,906       |
|                                                       |            | \$ 460,425   |
| <b>Financial Institutions - 3.4%</b>                  |            |              |
| American General Finance Corp., 6.9%, 2017            | \$ 100,000 | \$ 83,250    |
| CIT Group, Inc., 7%, 2014                             | 130,000    | 130,650      |
| CIT Group, Inc., 7%, 2016                             | 165,000    | 164,381      |

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

| Issuer                                                    | Shares/Par | Value (\$)   |
|-----------------------------------------------------------|------------|--------------|
| Bonds - continued                                         |            |              |
| Financial Institutions - continued                        |            |              |
| CIT Group, Inc., 7%, 2017                                 | \$ 410,000 | \$ 407,950   |
| Credit Acceptance Corp., 9.125%, 2017 (z)                 | 60,000     | 63,000       |
| GMAC, Inc., 6.75%, 2014                                   | 220,000    | 230,450      |
| International Lease Finance Corp., 5.625%, 2013           | 140,000    | 140,875      |
| International Lease Finance Corp., 8.75%, 2017 (n)        | 105,000    | 119,438      |
| International Lease Finance Corp., 7.125%, 2018 (n)       | 137,000    | 150,700      |
| Nationstar Mortgage LLC, 10.875%, 2015 (z)                | 125,000    | 113,125      |
| SLM Corp., 8%, 2020                                       | 70,000     | 70,754       |
|                                                           |            | \$ 1,674,573 |
| Food & Beverages - 1.0%                                   |            |              |
| ARAMARK Corp., 8.5%, 2015                                 | \$ 105,000 | \$ 110,250   |
| B&G Foods, Inc., 7.625%, 2018                             | 75,000     | 79,875       |
| Constellation Brands, Inc., 7.25%, 2016                   | 55,000     | 60,500       |
| Pinnacle Foods Finance LLC, 9.25%, 2015                   | 130,000    | 136,988      |
| TreeHouse Foods, Inc., 7.75%, 2018                        | 80,000     | 87,700       |
|                                                           |            | \$ 475,313   |
| Forest & Paper Products - 2.5%                            |            |              |
| Boise, Inc., 8%, 2020                                     | \$ 105,000 | \$ 113,400   |
| Cascades, Inc., 7.75%, 2017                               | 70,000     | 74,813       |
| Cellu Tissue Holdings, Inc., 11.5%, 2014                  | 175,000    | 203,875      |
| Georgia-Pacific Corp., 7.125%, 2017 (n)                   | 115,000    | 123,625      |
| Georgia-Pacific Corp., 5.4%, 2020 (z)                     | 60,000     | 60,600       |
| Georgia-Pacific Corp., 8%, 2024                           | 85,000     | 103,913      |
| Georgia-Pacific Corp., 7.25%, 2028                        | 30,000     | 33,000       |
| Graphic Packaging Holding Co., 7.875%, 2018               | 65,000     | 68,738       |
| JSG Funding PLC, 7.75%, 2015                              | 30,000     | 30,825       |
| Millar Western Forest Products Ltd., 7.75%, 2013          | 370,000    | 338,550      |
| Smurfit Kappa Group PLC, 7.75%, 2019 (n)                  | EUR 50,000 | 73,939       |
|                                                           |            | \$ 1,225,278 |
| Gaming & Lodging - 3.8%                                   |            |              |
| Ameristar Casinos, Inc., 9.25%, 2014                      | \$ 50,000  | \$ 54,125    |
| Firekeepers Development Authority, 13.875%, 2015 (n)      | 190,000    | 222,775      |
| Fontainebleau Las Vegas Holdings LLC, 10.25%, 2015 (d)(n) | 290,000    | 832          |
| Gaylord Entertainment Co., 6.75%, 2014                    | 140,000    | 140,350      |
| GWR Operating Partnership LLP, 10.875%, 2017 (n)          | 100,000    | 105,500      |
| Harrah's Operating Co., Inc., 11.25%, 2017                | 100,000    | 110,500      |
| Harrah's Operating Co., Inc., 10%, 2018                   | 66,000     | 57,255       |
| Harrah's Operating Co., Inc., 10%, 2018                   | 210,000    | 182,175      |
| Host Hotels & Resorts, Inc., 9%, 2017                     | 65,000     | 73,288       |
| MGM Mirage, 10.375%, 2014                                 | 20,000     | 22,500       |

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### Portfolio of Investments continued

| Issuer                                                          | Shares/Par | Value (\$)   |
|-----------------------------------------------------------------|------------|--------------|
| Bonds - continued                                               |            |              |
| Gaming & Lodging - contined                                     |            |              |
| MGM Mirage, 11.125%, 2017                                       | \$ 60,000  | \$ 69,000    |
| MGM Mirage, 9%, 2020 (n)                                        | 45,000     | 49,219       |
| MGM Resorts International, 11.375%, 2018                        | 220,000    | 228,250      |
| MTR Gaming Group, Inc., 9%, 2012                                | 80,000     | 71,200       |
| Penn National Gaming, Inc., 8.75%, 2019                         | 105,000    | 116,288      |
| Pinnacle Entertainment, Inc., 7.5%, 2015                        | 100,000    | 99,500       |
| Royal Caribbean Cruises Ltd., 11.875%, 2015                     | 70,000     | 87,500       |
| Starwood Hotels & Resorts Worldwide, Inc., 6.75%, 2018          | 55,000     | 60,913       |
| Station Casinos, Inc., 6.5%, 2014 (d)                           | 345,000    | 476          |
| Station Casinos, Inc., 6.875%, 2016 (d)                         | 565,000    | 68           |
| Station Casinos, Inc., 7.75%, 2049 (d)                          | 72,000     | 8            |
| Wyndham Worldwide Corp., 7.375%, 2020                           | 50,000     | 55,454       |
| Wynn Las Vegas LLC, 7.75%, 2020 (n)                             | 45,000     | 48,825       |
|                                                                 |            | \$ 1,856,001 |
| Industrial - 1.2%                                               |            |              |
| Altra Holdings, Inc., 8.125%, 2016                              | \$ 70,000  | \$ 73,238    |
| Baldor Electric Co., 8.625%, 2017                               | 175,000    | 186,813      |
| Diversey, Inc., 8.25%, 2019                                     | 65,000     | 71,094       |
| Great Lakes Dredge & Dock Corp., 7.75%, 2013                    | 85,000     | 86,063       |
| Hillman Cos., Inc., 10.875%, 2018 (n)                           | 55,000     | 58,850       |
| Mueller Water Products, Inc., 7.375%, 2017                      | 80,000     | 72,400       |
| Mueller Water Products, Inc., 8.75%, 2020 (n)                   | 30,000     | 32,513       |
|                                                                 |            | \$ 580,971   |
| Insurance - 1.3%                                                |            |              |
| American International Group, Inc., 8.175% to 2038, FRN to 2058 | \$ 355,000 | \$ 378,075   |
| ING Groep N.V., 5.775% to 2015, FRN to 2049                     | 290,000    | 267,525      |
|                                                                 |            | \$ 645,600   |
| Insurance - Property & Casualty - 1.5%                          |            |              |
| Liberty Mutual Group, Inc., 10.75% to 2038, FRN to 2088 (n)     | \$ 235,000 | \$ 291,400   |
| USI Holdings Corp., 9.75%, 2015 (z)                             | 310,000    | 310,775      |
| XL Group PLC, 6.5% to 2017, FRN to 2049                         | 170,000    | 152,150      |
|                                                                 |            | \$ 754,325   |
| Machinery & Tools - 0.6%                                        |            |              |
| Case Corp., 7.25%, 2016                                         | \$ 50,000  | \$ 54,500    |
| Case New Holland, Inc., 7.875%, 2017 (n)                        | 95,000     | 106,163      |
| Rental Service Corp., 9.5%, 2014                                | 115,000    | 120,031      |
|                                                                 |            | \$ 280,694   |

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

| Issuer                                                              | Shares/Par | Value (\$)   |
|---------------------------------------------------------------------|------------|--------------|
| <b>Bonds - continued</b>                                            |            |              |
| <b>Major Banks - 0.9%</b>                                           |            |              |
| Bank of America Corp., 8% to 2018, FRN to 2049                      | \$ 160,000 | \$ 161,467   |
| Royal Bank of Scotland Group PLC, 7.648% to 2031, FRN to 2049       | 185,000    | 179,450      |
| Royal Bank of Scotland Group PLC, 6.99% to 2017, FRN to 2049 (d)(n) | 100,000    | 82,125       |
|                                                                     |            | \$ 423,042   |
| <b>Medical &amp; Health Technology &amp; Services - 5.4%</b>        |            |              |
| Biomet, Inc., 11.625%, 2017                                         | \$ 355,000 | \$ 399,819   |
| Fresenius Medical Care AG & Co. KGaA, 9%, 2015 (n)                  | 120,000    | 140,100      |
| HCA, Inc., 9%, 2014                                                 | 320,000    | 341,200      |
| HCA, Inc., 9.25%, 2016                                              | 115,000    | 124,488      |
| HCA, Inc., 8.5%, 2019                                               | 100,000    | 112,500      |
| HealthSouth Corp., 8.125%, 2020                                     | 155,000    | 167,400      |
| Psychiatric Solutions, Inc., 7.75%, 2015                            | 65,000     | 67,600       |
| Psychiatric Solutions, Inc., 7.75%, 2015                            | 35,000     | 36,400       |
| Surgical Care Affiliates, Inc., 10%, 2017 (n)                       | 185,000    | 190,550      |
| Tenet Healthcare Corp., 9.25%, 2015                                 | 170,000    | 187,850      |
| Tenet Healthcare Corp., 8%, 2020 (n)                                | 35,000     | 35,569       |
| U.S. Oncology, Inc., 10.75%, 2014                                   | 130,000    | 134,713      |
| United Surgical Partners International, Inc., 8.875%, 2017          | 60,000     | 63,150       |
| United Surgical Partners International, Inc., 9.25%, 2017 (p)       | 80,000     | 84,600       |
| Universal Hospital Services, Inc., 8.5%, 2015 (p)                   | 185,000    | 192,863      |
| Universal Hospital Services, Inc., FRN, 4.133%, 2015                | 35,000     | 31,500       |
| Vanguard Health Systems, Inc., 8%, 2018                             | 115,000    | 121,181      |
| VWR Funding, Inc., 10.25%, 2015 (p)                                 | 221,812    | 234,566      |
|                                                                     |            | \$ 2,666,049 |
| <b>Metals &amp; Mining - 1.3%</b>                                   |            |              |
| Arch Coal, Inc., 7.25%, 2020                                        | \$ 45,000  | \$ 49,275    |
| Berau Capital Resources, 12.5%, 2015 (n)                            | 150,000    | 172,688      |
| Cloud Peak Energy, Inc., 8.25%, 2017                                | 100,000    | 108,750      |
| Cloud Peak Energy, Inc., 8.5%, 2019                                 | 85,000     | 93,500       |
| CONSOL Energy, Inc., 8%, 2017 (n)                                   | 75,000     | 82,125       |
| CONSOL Energy, Inc., 8.25%, 2020 (n)                                | 50,000     | 55,750       |
| Teck Resources Ltd., 10.25%, 2016                                   | 20,000     | 24,700       |
| U.S. Steel Corp., 7.375%, 2020                                      | 75,000     | 78,281       |
|                                                                     |            | \$ 665,069   |
| <b>Natural Gas - Distribution - 0.2%</b>                            |            |              |
| Ferrellgas Partners LP, 8.625%, 2020                                | \$ 105,000 | \$ 116,025   |
| <b>Natural Gas - Pipeline - 1.7%</b>                                |            |              |
| Atlas Pipeline Partners LP, 8.125%, 2015                            | \$ 40,000  | \$ 41,200    |
| Atlas Pipeline Partners LP, 8.75%, 2018                             | 145,000    | 151,525      |
| Crosstex Energy, Inc., 8.875%, 2018                                 | 110,000    | 118,800      |

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### Portfolio of Investments continued

| Issuer                                                       | Shares/Par | Value (\$) |
|--------------------------------------------------------------|------------|------------|
| <b>Bonds - continued</b>                                     |            |            |
| Natural Gas - Pipeline - continued                           |            |            |
| El Paso Corp., 8.25%, 2016                                   | \$ 75,000  | \$ 85,219  |
| El Paso Corp., 7%, 2017                                      | 105,000    | 114,454    |
| El Paso Corp., 7.75%, 2032                                   | 55,000     | 58,898     |
| Energy Transfer Equity LP, 7.5%, 2020                        | 45,000     | 49,050     |
| Enterprise Products Partners LP, FRN, 7.034%, 2068           | 40,000     | 41,300     |
| MarkWest Energy Partners LP, 6.875%, 2014                    | 120,000    | 122,700    |
| MarkWest Energy Partners LP, 8.75%, 2018                     | 30,000     | 32,925     |
|                                                              |            | \$ 816,071 |
| <b>Network &amp; Telecom - 1.9%</b>                          |            |            |
| Cincinnati Bell, Inc., 8.25%, 2017                           | \$ 30,000  | \$ 30,450  |
| Cincinnati Bell, Inc., 8.75%, 2018                           | 170,000    | 164,475    |
| Citizens Communications Co., 9%, 2031                        | 40,000     | 44,600     |
| Frontier Communications Corp., 8.5%, 2020                    | 30,000     | 34,650     |
| Nordic Telephone Co. Holdings, 8.875%, 2016 (n)              | 185,000    | 196,100    |
| Qwest Communications International, Inc., 7.125%, 2018 (n)   | 105,000    | 111,563    |
| Windstream Corp., 8.625%, 2016                               | 245,000    | 260,313    |
| Windstream Corp., 8.125%, 2018 (n)                           | 20,000     | 21,550     |
| Windstream Corp., 7.75%, 2020 (n)                            | 55,000     | 58,300     |
|                                                              |            | \$ 922,001 |
| <b>Oil Services - 1.0%</b>                                   |            |            |
| Allis-Chalmers Energy, Inc., 8.5%, 2017                      | \$ 40,000  | \$ 40,200  |
| Basic Energy Services, Inc., 7.125%, 2016                    | 50,000     | 47,500     |
| Edgen Murray Corp., 12.25%, 2015                             | 60,000     | 48,750     |
| Expro Finance Luxembourg, 8.5%, 2016 (n)                     | 110,000    | 108,350    |
| McJunkin Red Man Holding Corp., 9.5%, 2016 (n)               | 155,000    | 142,600    |
| Pioneer Drilling Co., 9.875%, 2018                           | 80,000     | 84,000     |
|                                                              |            | \$ 471,400 |
| <b>Oils - 0.2%</b>                                           |            |            |
| Petroplus Holdings AG, 9.375%, 2019 (n)                      | \$ 100,000 | \$ 96,000  |
| <b>Other Banks &amp; Diversified Financials - 1.6%</b>       |            |            |
| Capital One Financial Corp., 10.25%, 2039                    | \$ 130,000 | \$ 141,050 |
| CenterCredit International B.V., 8.625%, 2014                | 100,000    | 105,250    |
| Citigroup Capital XXI, 8.3% to 2037, FRN to 2077             | 185,000    | 193,556    |
| LBG Capital No.1 PLC, 7.875%, 2020 (n)                       | 100,000    | 99,000     |
| Santander UK PLC, 8.963% to 2030, FRN to 2049                | 210,000    | 228,576    |
|                                                              |            | \$ 767,432 |
| <b>Pharmaceuticals - 0.0%</b>                                |            |            |
| Valeant Pharmaceuticals International, Inc., 6.75%, 2017 (n) | \$ 5,000   | \$ 5,219   |
| Valeant Pharmaceuticals International, Inc., 7%, 2020 (n)    | 5,000      | 5,250      |
|                                                              |            | \$ 10,469  |

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

| Issuer                                                | Shares/Par | Value (\$)   |
|-------------------------------------------------------|------------|--------------|
| <b>Bonds - continued</b>                              |            |              |
| Printing & Publishing - 1.1%                          |            |              |
| American Media Operations, Inc., 9%, 2013 (p)(z)      | \$ 23,670  | \$ 23,078    |
| American Media Operations, Inc., 14%, 2013 (p)(z)     | 248,278    | 149,622      |
| Morris Publishing Group LLC, 10%, 2014                | 70,856     | 69,173       |
| Nielsen Finance LLC, 10%, 2014                        | 26,000     | 27,333       |
| Nielsen Finance LLC, 11.5%, 2016                      | 95,000     | 109,250      |
| Nielsen Finance LLC, 12.5%, 2016                      | 141,000    | 143,644      |
| Nielsen Finance LLC, 7.75%, 2018 (z)                  | 45,000     | 46,631       |
|                                                       |            | \$ 568,731   |
| Railroad & Shipping - 0.2%                            |            |              |
| Kansas City Southern Railway, 8%, 2015                | \$ 75,000  | \$ 81,000    |
| Real Estate - 0.3%                                    |            |              |
| CB Richard Ellis Group, Inc., 11.625%, 2017           | \$ 120,000 | \$ 139,800   |
| Retailers - 2.4%                                      |            |              |
| Couche-Tard, Inc., 7.5%, 2013                         | \$ 55,000  | \$ 55,825    |
| Express LLC/Express Finance Corp., 8.75%, 2018        | 65,000     | 69,225       |
| General Nutrition Centers, Inc., FRN, 5.75%, 2014 (p) | 210,000    | 208,163      |
| Limited Brands, Inc., 6.9%, 2017                      | 75,000     | 81,375       |
| Limited Brands, Inc., 6.95%, 2033                     | 40,000     | 37,300       |
| Neiman Marcus Group, Inc., 10.375%, 2015              | 185,000    | 195,175      |
| QVC, Inc., 7.375%, 2020 (n)                           | 50,000     | 53,500       |
| Sally Beauty Holdings, Inc., 10.5%, 2016              | 230,000    | 252,425      |
| Toys R Us, Inc., 10.75%, 2017                         | 140,000    | 159,950      |
| Toys R Us, Inc., 8.5%, 2017 (n)                       | 60,000     | 64,950       |
|                                                       |            | \$ 1,177,888 |
| Specialty Stores - 0.8%                               |            |              |
| Michaels Stores, Inc., 11.375%, 2016                  | \$ 125,000 | \$ 137,813   |
| Michaels Stores, Inc., 7.75%, 2018 (z)                | 75,000     | 74,250       |
| Payless ShoeSource, Inc., 8.25%, 2013                 | 191,000    | 194,343      |
|                                                       |            | \$ 406,406   |
| Telecommunications - Wireless - 3.2%                  |            |              |
| Clearwire Corp., 12%, 2015 (n)                        | \$ 305,000 | \$ 337,788   |
| Cricket Communications, Inc., 7.75%, 2016             | 95,000     | 102,363      |
| Crown Castle International Corp., 9%, 2015            | 80,000     | 89,400       |
| Crown Castle International Corp., 7.75%, 2017 (n)     | 60,000     | 67,350       |
| Crown Castle International Corp., 7.125%, 2019        | 50,000     | 55,000       |
| Digicel Group Ltd., 10.5%, 2018 (n)                   | 165,000    | 181,706      |
| NII Holdings, Inc., 10%, 2016                         | 95,000     | 107,706      |
| SBA Communications Corp., 8.25%, 2019                 | 35,000     | 39,375       |

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### Portfolio of Investments continued

| Issuer                                                        | Shares/Par | Value (\$)           |
|---------------------------------------------------------------|------------|----------------------|
| <b>Bonds - continued</b>                                      |            |                      |
| Telecommunications - Wireless - continued                     |            |                      |
| Sprint Capital Corp., 6.875%, 2028                            | \$ 50,000  | \$ 47,125            |
| Sprint Nextel Corp., 8.375%, 2017                             | 140,000    | 154,350              |
| Sprint Nextel Corp., 8.75%, 2032                              | 160,000    | 175,600              |
| Wind Acquisition Finance S.A., 12%, 2015 (n)                  | 225,000    | 238,500              |
|                                                               |            | \$ 1,596,263         |
| Telephone Services - 0.3%                                     |            |                      |
| Frontier Communications Corp., 8.125%, 2018                   | \$ 115,000 | \$ 131,100           |
| Tobacco - 0.2%                                                |            |                      |
| Alliance One International, Inc., 10%, 2016                   | \$ 70,000  | \$ 77,000            |
| Transportation - Services - 1.1%                              |            |                      |
| American Petroleum Tankers LLC, 10.25%, 2015 (z)              | \$ 40,000  | \$ 41,600            |
| Commercial Barge Line Co., 12.5%, 2017                        | 170,000    | 191,675              |
| Hertz Corp., 8.875%, 2014                                     | 200,000    | 205,500              |
| Hertz Corp., 7.5%, 2018 (n)                                   | 70,000     | 72,100               |
| Navios Maritime Acquisition Corp., 8.625%, 2017 (z)           | 45,000     | 45,450               |
|                                                               |            | \$ 556,325           |
| Utilities - Electric Power - 3.1%                             |            |                      |
| AES Corp., 8%, 2017                                           | \$ 285,000 | \$ 313,500           |
| Calpine Corp., 8%, 2016 (n)                                   | 125,000    | 135,313              |
| Calpine Corp., 7.875%, 2020 (n)                               | 20,000     | 20,950               |
| Dynegy Holdings, Inc., 7.75%, 2019                            | 220,000    | 150,150              |
| Edison Mission Energy, 7%, 2017                               | 255,000    | 188,063              |
| Energy Future Holdings Corp., 10%, 2020 (n)                   | 180,000    | 188,532              |
| Energy Future Holdings Corp., 10%, 2020                       | 210,000    | 219,954              |
| Genon Escrow Corp., 9.875%, 2020 (z)                          | 80,000     | 78,000               |
| NGC Corp. Capital Trust, 8.316%, 2027                         | 275,000    | 122,375              |
| Texas Competitive Electric Holdings LLC, 10.25%, 2015         | 195,000    | 120,900              |
|                                                               |            | \$ 1,537,737         |
| <b>Total Bonds (Identified Cost, \$36,225,529)</b>            |            | <b>\$ 35,890,757</b> |
| Convertible Bonds - 0.1%                                      |            |                      |
| Automotive - 0.1%                                             |            |                      |
| Accuride Corp., 7.5%, 2020 (Identified Cost, \$56,210)        | \$ 23,445  | \$ 69,163            |
| Floating Rate Loans (g)(r) - 1.4%                             |            |                      |
| Aerospace - 0.1%                                              |            |                      |
| Hawker Beechcraft Acquisition Co. LLC, Term Loan, 10.5%, 2014 | \$ 66,810  | \$ 66,142            |

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### Portfolio of Investments continued

| Issuer                                                                  | Shares/Par | Value (\$)        |
|-------------------------------------------------------------------------|------------|-------------------|
| Floating Rate Loans (g)(r) - continued                                  |            |                   |
| Automotive - 0.3%                                                       |            |                   |
| Ford Motor Co., Term Loan B, 3.03%, 2013                                | \$ 139,554 | \$ 138,099        |
| Broadcasting - 0.3%                                                     |            |                   |
| Gray Television, Inc., Term Loan B, 3.76%, 2014                         | \$ 51,844  | \$ 50,160         |
| Local TV Finance LLC, Term Loan B, 2.29%, 2013                          | 11,460     | 10,687            |
| New Young Broadcasting Holding Co., Inc., Term Loan, 8%, 2015           | 57,673     | 57,576            |
|                                                                         |            | \$ 118,423        |
| Building - 0.3%                                                         |            |                   |
| Goodman Global Holdings, Inc., 2nd Lien Term Loan, 2017 (o)             | \$ 5,372   | \$ 5,477          |
| Roofing Supply Group, Inc., Term Loan, 9.24%, 2013                      | 116,454    | 114,416           |
|                                                                         |            | \$ 119,893        |
| Consumer Services - 0.1%                                                |            |                   |
| Realogy Corp., Letter of Credit, 3.25%, 2013                            | \$ 6,686   | \$ 6,046          |
| Realogy Corp., Term Loan, 3.25%, 2013                                   | 49,052     | 44,357            |
|                                                                         |            | \$ 50,403         |
| Financial Institutions - 0.0%                                           |            |                   |
| American General Financial Corp., Term Loan B, 7.25%, 2015              | \$ 19,048  | \$ 19,211         |
| Gaming & Lodging - 0.2%                                                 |            |                   |
| Green Valley Ranch Gaming LLC, Second Lien Term Loan, 3.5%, 2014 (d)    | \$ 450,000 | \$ 7,875          |
| MGM Mirage, Term Loan, 7%, 2014 (o)                                     | 112,077    | 105,617           |
|                                                                         |            | \$ 113,492        |
| Utilities - Electric Power - 0.1%                                       |            |                   |
| Texas Competitive Electric Holdings Co. LLC, Term Loan B-2, 3.92%, 2014 | \$ 87,490  | \$ 68,560         |
| <b>Total Floating Rate Loans (Identified Cost, \$967,688)</b>           |            | <b>\$ 694,223</b> |
| Common Stocks - 23.0%                                                   |            |                   |
| Automotive - 0.8%                                                       |            |                   |
| Johnson Controls, Inc.                                                  | 11,450     | \$ 402,103        |
| Broadcasting - 0.9%                                                     |            |                   |
| New Young Broadcasting Holding Co., Inc. (a)                            | 26         | \$ 55,900         |
| Omnicom Group, Inc.                                                     | 8,550      | 375,858           |
|                                                                         |            | \$ 431,758        |
| Brokerage & Asset Managers - 0.6%                                       |            |                   |
| Charles Schwab Corp.                                                    | 18,540     | \$ 285,516        |

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### Portfolio of Investments continued

| Issuer                                | Shares/Par | Value (\$) |
|---------------------------------------|------------|------------|
| Common Stocks - continued             |            |            |
| Chemicals - 1.3%                      |            |            |
| 3M Co.                                | 3,270      | \$ 275,399 |
| PPG Industries, Inc.                  | 4,840      | 371,228    |
|                                       |            | \$ 646,627 |
| Computer Software - Systems - 0.9%    |            |            |
| Hewlett-Packard Co.                   | 6,730      | \$ 283,064 |
| International Business Machines Corp. | 1,200      | 172,320    |
|                                       |            | \$ 455,384 |
| Construction - 0.1%                   |            |            |
| Nortek, Inc. (a)                      | 1,594      | \$ 66,438  |
| Consumer Products - 0.9%              |            |            |
| Procter & Gamble Co.                  | 7,000      | \$ 444,990 |
| Electrical Equipment - 0.9%           |            |            |
| Danaher Corp.                         | 9,780      | \$ 424,061 |
| Energy - Independent - 1.9%           |            |            |
| Apache Corp.                          | 4,710      | \$ 475,804 |
| Noble Energy, Inc.                    | 5,610      | 457,103    |
|                                       |            | \$ 932,907 |
| Energy - Integrated - 1.1%            |            |            |
| Exxon Mobil Corp.                     | 8,160      | \$ 542,395 |
| Food & Beverages - 1.4%               |            |            |
| General Mills, Inc.                   | 8,020      | \$ 301,071 |
| PepsiCo, Inc.                         | 5,690      | 371,557    |
|                                       |            | \$ 672,628 |
| Food & Drug Stores - 0.7%             |            |            |
| Kroger Co.                            | 15,200     | \$ 334,400 |
| General Merchandise - 0.7%            |            |            |
| Target Corp.                          | 6,950      | \$ 360,983 |
| Insurance - 1.3%                      |            |            |
| Prudential Financial, Inc.            | 7,160      | \$ 376,473 |
| Travelers Cos., Inc.                  | 5,280      | 291,456    |
|                                       |            | \$ 667,929 |

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### Portfolio of Investments continued

| Issuer                                                 | Shares/Par | Value (\$) |
|--------------------------------------------------------|------------|------------|
| <b>Common Stocks - continued</b>                       |            |            |
| <b>Leisure &amp; Toys - 0.5%</b>                       |            |            |
| Hasbro, Inc.                                           | 5,040      | \$ 233,100 |
| <b>Major Banks - 1.7%</b>                              |            |            |
| Bank of America Corp.                                  | 21,230     | \$ 242,871 |
| Bank of New York Mellon Corp.                          | 9,130      | 228,798    |
| Goldman Sachs Group, Inc.                              | 2,200      | 354,090    |
|                                                        |            | \$ 825,759 |
| <b>Medical Equipment - 1.6%</b>                        |            |            |
| Becton, Dickinson & Co.                                | 3,020      | \$ 228,070 |
| Thermo Fisher Scientific, Inc. (a)                     | 11,300     | 581,046    |
|                                                        |            | \$ 809,116 |
| <b>Metals &amp; Mining - 0.2%</b>                      |            |            |
| United States Steel Corp.                              | 1,750      | \$ 74,883  |
| <b>Oil Services - 0.3%</b>                             |            |            |
| Schlumberger Ltd.                                      | 2,400      | \$ 167,736 |
| <b>Other Banks &amp; Diversified Financials - 0.2%</b> |            |            |
| Marshall & Ilsley Corp.                                | 19,520     | \$ 115,363 |
| <b>Pharmaceuticals - 0.7%</b>                          |            |            |
| Abbott Laboratories                                    | 6,950      | \$ 356,674 |
| <b>Printing &amp; Publishing - 0.1%</b>                |            |            |
| American Media, Inc. (a)                               | 3,970      | \$ 24,298  |
| Golden Books Family Entertainment, Inc. (a)            | 53,266     | 0          |
| Quad/Graphics, Inc. (a)                                | 260        | 11,625     |
|                                                        |            | \$ 35,923  |
| <b>Special Products &amp; Services - 0.0%</b>          |            |            |
| Mark IV Industries LLC, Common Units, A (a)            | 180        | \$ 8,190   |
| <b>Specialty Chemicals - 0.8%</b>                      |            |            |
| Air Products & Chemicals, Inc.                         | 4,400      | \$ 373,868 |
| <b>Specialty Stores - 0.4%</b>                         |            |            |
| Limited Brands, Inc.                                   | 6,480      | \$ 190,447 |

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### Portfolio of Investments continued

| Issuer                                                                       | Shares/Par          | Value (\$)            |
|------------------------------------------------------------------------------|---------------------|-----------------------|
| <b>Common Stocks - continued</b>                                             |                     |                       |
| Telecommunications - Wireless - 0.8%                                         |                     |                       |
| Vodafone Group PLC, ADR                                                      | 15,120              | \$ 415,951            |
| Telephone Services - 0.7%                                                    |                     |                       |
| Adelphia Business Solutions, Inc. (a)                                        | 40,000              | \$ 0                  |
| CenturyLink, Inc.                                                            | 8,390               | 347,178               |
|                                                                              |                     | \$ 347,178            |
| Trucking - 0.5%                                                              |                     |                       |
| United Parcel Service, Inc., B                                               | 3,770               | \$ 253,872            |
| Utilities - Electric Power - 1.0%                                            |                     |                       |
| Entergy Corp.                                                                | 3,700               | \$ 275,761            |
| PG&E Corp.                                                                   | 5,100               | 243,882               |
|                                                                              |                     | \$ 519,643            |
| <b>Total Common Stocks (Identified Cost, \$10,806,915)</b>                   |                     | <b>\$ 11,395,822</b>  |
| <b>Preferred Stocks - 0.1%</b>                                               |                     |                       |
| Other Banks & Diversified Financials - 0.1%                                  |                     |                       |
| Citigroup Capital XIII, 7.87% (Identified Cost, \$21,250)                    | 850                 | \$ 22,525             |
| <b>Warrants - 0.3%</b>                                                       |                     |                       |
|                                                                              | <b>Strike Price</b> | <b>First Exercise</b> |
| Broadcasting - 0.3%                                                          |                     |                       |
| New Young Broadcasting Holding Co., Inc. (1 share for 1 warrant) (a)         |                     |                       |
| (Identified Cost, \$132,978)                                                 | \$ 0.01             | 7/14/10               |
|                                                                              | 70                  | \$ 150,500            |
| <b>Money Market Funds (v) - 1.5%</b>                                         |                     |                       |
| MFS Institutional Money Market Portfolio, 0.21%, at Cost and Net Asset Value | 728,610             | \$ 728,610            |
| <b>Total Investments (Identified Cost, \$48,939,180)</b>                     |                     | <b>\$ 48,951,600</b>  |
| Other Assets, Less Liabilities - 1.0%                                        |                     | 509,449               |
| <b>Net Assets - 100.0%</b>                                                   |                     | <b>\$ 49,461,049</b>  |

(a) Non-income producing security.

(d) Non-income producing security in default.

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

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

- (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 \$7,830,629, representing 15.8% of net assets.
- (o) All or a portion of this position has not settled. Upon settlement date, interest rates for unsettled amounts will be determined. The rate shown represents the weighted average coupon rate for settled amounts.
- (p) Payment-in-kind security.
- (r) Remaining maturities of floating rate loans may be less than stated maturities shown as a result of contractual or optional prepayments by the borrower. Such prepayments cannot be predicted with certainty. These loans may be subject to restrictions on resale. Floating rate loans generally have rates of interest which are determined periodically by reference to a base lending rate plus a premium.
- (v) Underlying fund that is available only to investment companies managed by MFS. The rate quoted is the annualized seven-day yield of the fund at period end.
- (z) Restricted securities are not registered under the Securities Act of 1933 and are subject to legal restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are subsequently registered. Disposal of these securities may involve time-consuming negotiations and prompt sale at an acceptable price may be difficult. The fund holds the following restricted securities:

|                                                               | Acquisition      |          | Current      |
|---------------------------------------------------------------|------------------|----------|--------------|
| Restricted Securities                                         | Date             | Cost     | Market Value |
| American Media Operations, Inc., 9%, 2013                     | 1/29/09-4/15/10  | \$18,044 | \$23,078     |
| American Media Operations, Inc., 14%, 2013                    | 1/29/09-5/01/10  | 165,757  | 149,622      |
| American Petroleum Tankers LLC, 10.25%, 2015                  | 5/06/10          | 38,961   | 41,600       |
| Anthracite Ltd., CDO, 6%, 2037                                | 5/14/02          | 410,449  | 22,500       |
| BTA Bank JSC, 10.75%, 2018                                    | 6/17/10          | 46,272   | 47,824       |
| BTA Bank JSC, 7.2%, 2025                                      | 6/17/10          | 7,061    | 7,603        |
| Banc of America Commercial Mortgage, Inc., FRN, 6.194%, 2051  | 6/19/08          | 239,564  | 96,664       |
| Bonten Media Acquisition Co., 9%, 2015                        | 5/22/07-5/31/07  | 88,229   | 42,620       |
| Carrizo Oil & Gas, Inc., 8.625%, 2018                         | 10/28/10         | 120,667  | 121,500      |
| Credit Acceptance Corp., 9.125%, 2017                         | 1/25/10          | 58,615   | 63,000       |
| Falcon Franchise Loan LLC, FRN, 3.071%, 2025                  | 1/29/03          | 36,765   | 30,726       |
| Financing of Ukraine Infrastructure, 8.375%, 2017             | 10/29/10         | 148,114  | 148,114      |
| Genon Escrow Corp., 9.875%, 2020                              | 10/08/10         | 78,804   | 78,000       |
| Georgia-Pacific Corp., 5.4%, 2020                             | 10/27/10         | 59,648   | 60,600       |
| Hexion U.S. Finance Corp/Hexion Nova Scotia Finance, 9%, 2020 | 1/14/10-2/22/10  | 25,000   | 26,000       |
| LBI Media, Inc., 8.5%, 2017                                   | 7/18/07          | 88,869   | 76,163       |
| Local TV Finance LLC, 10%, 2015                               | 11/13/07-5/31/10 | 158,845  | 139,401      |
| Michaels Stores, Inc., 7.75%, 2018                            | 6/02/10-9/07/10  | 74,232   | 74,250       |
| Momentive Performance Materials, Inc., 9%, 2021               | 10/27/10         | 55,000   | 57,063       |
| Morgan Stanley Capital I, Inc., FRN, 1.258%, 2039             | 7/20/04          | 15,152   | 15,597       |

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### Portfolio of Investments continued

|                                                    | Acquisition       |           | Current<br>Market<br>Value |
|----------------------------------------------------|-------------------|-----------|----------------------------|
|                                                    | Date              | Cost      |                            |
| <b>Restricted Securities - continued</b>           |                   |           |                            |
| Nationstar Mortgage LLC, 10.875%, 2015             | 3/23/10-8/06/10   | \$116,240 | \$113,125                  |
| Navios Maritime Acquisition Corp., 8.625%, 2017    | 10/06/10          | 45,000    | 45,450                     |
| Nielsen Finance LLC, 7.75%, 2018                   | 9/30/10           | 44,672    | 46,631                     |
| Omnova Solutions, Inc., 7.875%, 2018               | 10/22/10          | 35,000    | 35,788                     |
| Preferred Term Securities XII Ltd., CDO, 0%, 2033  | 1/07/05           | 127,734   | 68                         |
| Preferred Term Securities XVI Ltd., CDO, 0%, 2035  | 12/08/04          | 187,576   | 30                         |
| Preferred Term Securities XVII Ltd., CDO, 0%, 2035 | 3/09/05           | 114,513   | 19                         |
| USI Holdings Corp., 9.75%, 2015                    | 4/26/07-11/28/07  | 298,109   | 310,775                    |
| Univision Communications, Inc., 7.875%, 2020       | 10/18/10-10/25/10 | 46,349    | 47,250                     |
| Total Restricted Securities                        |                   |           | \$1,921,061                |
| % of Net Assets                                    |                   |           | 3.9%                       |

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

ADR American Depositary 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

### Derivative Contracts at 10/31/10

#### Forward Foreign Currency Exchange Contracts at 10/31/10

| Type                         | Currency | Counterparty | Contracts<br>to<br>Deliver/<br>Receive | Settlement<br>Date Range | In<br>Exchange<br>for | Contracts at<br>Value | Net<br>Unrealized<br>Appreciation<br>(Depreciation) |
|------------------------------|----------|--------------|----------------------------------------|--------------------------|-----------------------|-----------------------|-----------------------------------------------------|
| <b>Asset Derivatives</b>     |          |              |                                        |                          |                       |                       |                                                     |
| BUY                          | EUR      | UBS AG       | 77,000                                 | 12/15/10                 | \$ 98,002             | \$ 107,112            | \$ 9,110                                            |
| <b>Liability Derivatives</b> |          |              |                                        |                          |                       |                       |                                                     |
| SELL                         | EUR      | UBS AG       | 189,102                                | 12/15/10                 | \$ 240,540            | \$ 263,053            | \$ (22,513)                                         |

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

### See Notes to Financial Statements

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

At 10/31/10

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

|                                                                                                                       |              |              |
|-----------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| <b>Assets</b>                                                                                                         |              |              |
| <b>Investments-</b>                                                                                                   |              |              |
| Non-affiliated issuers, at value (identified cost, \$48,210,570)                                                      | \$48,222,990 |              |
| Underlying funds, at cost and value                                                                                   | 728,610      |              |
| Total investments, at value (identified cost, \$48,939,180)                                                           |              | \$48,951,600 |
| Cash                                                                                                                  | \$582        |              |
| Receivables for                                                                                                       |              |              |
| Forward foreign currency exchange contracts                                                                           | 9,110        |              |
| Investments sold                                                                                                      | 544,903      |              |
| Interest and dividends                                                                                                | 880,000      |              |
| Other assets                                                                                                          | 11,317       |              |
| Total assets                                                                                                          |              | \$50,397,512 |
| <b>Liabilities</b>                                                                                                    |              |              |
| Payables for                                                                                                          |              |              |
| Forward foreign currency exchange contracts                                                                           | \$22,513     |              |
| Investments purchased                                                                                                 | 713,120      |              |
| Payable to affiliates                                                                                                 |              |              |
| Investment adviser                                                                                                    | 5,731        |              |
| Transfer agent and dividend disbursing costs                                                                          | 734          |              |
| Administrative services fee                                                                                           | 192          |              |
| Payable for independent Trustees' compensation                                                                        | 116,576      |              |
| Accrued expenses and other liabilities                                                                                | 77,597       |              |
| Total liabilities                                                                                                     |              | \$936,463    |
| Net assets                                                                                                            |              | \$49,461,049 |
| <b>Net assets consist of</b>                                                                                          |              |              |
| Paid-in capital                                                                                                       | \$65,249,308 |              |
| Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies | (612)        |              |
| Accumulated net realized gain (loss) on investments and foreign currency transactions                                 | (15,547,854) |              |
| Accumulated distributions in excess of net investment income                                                          | (239,793)    |              |
| Net assets                                                                                                            |              | \$49,461,049 |
| Shares of beneficial interest outstanding                                                                             |              | 6,841,062    |
| Net asset value per share (net assets of \$49,461,049 / 6,841,062 shares of beneficial interest outstanding)          |              | \$7.23       |
| <b>See Notes to Financial Statements</b>                                                                              |              |              |

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

Year ended 10/31/10

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                                                                                    | \$3,403,848 |             |
| Dividends                                                                                   | 305,476     |             |
| Dividends from underlying funds                                                             | 1,762       |             |
| Foreign taxes withheld                                                                      | (2,038)     |             |
| Total investment income                                                                     |             | \$3,709,048 |
| Expenses                                                                                    |             |             |
| Management fee                                                                              | \$454,072   |             |
| Transfer agent and dividend disbursing costs                                                | 14,554      |             |
| Administrative services fee                                                                 | 17,500      |             |
| Independent Trustees' compensation                                                          | 37,809      |             |
| Stock exchange fee                                                                          | 23,759      |             |
| Custodian fee                                                                               | 29,921      |             |
| Shareholder communications                                                                  | 61,535      |             |
| Auditing fees                                                                               | 62,284      |             |
| Legal fees                                                                                  | 6,901       |             |
| Miscellaneous                                                                               | 14,924      |             |
| Total expenses                                                                              |             | \$723,259   |
| Fees paid indirectly                                                                        | (45)        |             |
| Reduction of expenses by investment adviser                                                 | (27,556)    |             |
| Net expenses                                                                                |             | \$695,658   |
| Net investment income                                                                       |             | \$3,013,390 |
| <b>Realized and unrealized gain (loss) on investments and foreign currency transactions</b> |             |             |
| Realized gain (loss) (identified cost basis)                                                |             |             |
| Investment transactions                                                                     | \$63,632    |             |
| Foreign currency transactions                                                               | 45,664      |             |
| Net realized gain (loss) on investments and foreign currency transactions                   |             | \$109,296   |
| Change in unrealized appreciation (depreciation)                                            |             |             |
| Investments                                                                                 | \$5,118,208 |             |
| Translation of assets and liabilities in foreign currencies                                 | (10,121)    |             |
| Net unrealized gain (loss) on investments and foreign currency translation                  |             | \$5,108,087 |
| Net realized and unrealized gain (loss) on investments and foreign currency                 |             | \$5,217,383 |
| Change in net assets from operations                                                        |             | \$8,230,773 |

**See Notes to Financial Statements**

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

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

|                                                                                                                                   | <b>Years ended 10/31</b> |               |
|-----------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------|
|                                                                                                                                   | <b>2010</b>              | <b>2009</b>   |
| <b>Change in net assets</b>                                                                                                       |                          |               |
| <b>From operations</b>                                                                                                            |                          |               |
| Net investment income                                                                                                             | \$3,013,390              | \$3,828,073   |
| Net realized gain (loss) on investments and foreign currency transactions                                                         | 109,296                  | (5,089,774)   |
| Net unrealized gain (loss) on investments and foreign currency translation                                                        | 5,108,087                | 14,034,472    |
| Change in net assets from operations                                                                                              | \$8,230,773              | \$12,772,771  |
| <b>Distributions declared to shareholders</b>                                                                                     |                          |               |
| From net investment income                                                                                                        | \$(3,480,552)            | \$(3,705,256) |
| From tax return of capital                                                                                                        | (1,235,104)              |               |
| Total distributions declared to shareholders                                                                                      | \$(4,715,656)            | \$(3,705,256) |
| Change in net assets from fund share transactions                                                                                 | \$300,175                | \$(369,604)   |
| Total change in net assets                                                                                                        | \$3,815,292              | \$8,697,911   |
| <b>Net assets</b>                                                                                                                 |                          |               |
| At beginning of period                                                                                                            | 45,645,757               | 36,947,846    |
| At end of period (including accumulated distributions in excess of net investment income of \$239,793 and \$65,092, respectively) | \$49,461,049             | \$45,645,757  |
| <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 |          |          |          |          |
|-----------------------------------------------------------------------------|-------------------|----------|----------|----------|----------|
|                                                                             | 2010              | 2009     | 2008     | 2007     | 2006     |
| Net asset value, beginning of period                                        | \$6.71            | \$5.36   | \$9.08   | \$9.52   | \$9.66   |
| <b>Income (loss) from investment operations</b>                             |                   |          |          |          |          |
| Net investment income (d)                                                   | \$0.44            | \$0.56   | \$0.61   | \$0.55   | \$0.56   |
| Net realized and unrealized gain (loss) on investments and foreign currency | 0.77              | 1.32     | (3.52)   | (0.02)   | 0.26     |
| Total from investment operations                                            | \$1.21            | \$1.88   | \$(2.91) | \$0.53   | \$0.82   |
| <b>Less distributions declared to shareholders</b>                          |                   |          |          |          |          |
| From net investment income                                                  | \$(0.51)          | \$(0.54) | \$(0.60) | \$(0.89) | \$(0.59) |
| From net realized gain on investments                                       |                   |          |          | (0.08)   |          |
| From tax return of capital                                                  | (0.18)            |          | (0.21)   |          | (0.37)   |
| Total distributions declared to shareholders                                | \$(0.69)          | \$(0.54) | \$(0.81) | \$(0.97) | \$(0.96) |
| Net increase from repurchase of capital shares                              | \$                | \$0.01   | \$       | \$       | \$       |
| Net asset value, end of period                                              | \$7.23            | \$6.71   | \$5.36   | \$9.08   | \$9.52   |
| Per share market value, end of period                                       | \$7.95            | \$6.23   | \$4.75   | \$8.44   | \$10.91  |
| Total return at market value (%)                                            | 40.46             | 46.76    | (36.80)  | (14.74)  | 10.88    |
| Total return at net asset value (%) (j)(r)(s)                               | 18.63             | 40.08    | (33.71)  | 5.11     | 8.66     |
| <b>Ratios (%) (to average net assets) and Supplemental data:</b>            |                   |          |          |          |          |
| Expenses before expense reductions (f)                                      | 1.53              | 1.64     | 1.47     | 1.27     | 1.37     |
| Expenses after expense reductions (f)                                       | 1.47              | 1.64     | 1.47     | 1.27     | 1.37     |
| Net investment income                                                       | 6.36              | 10.17    | 7.85     | 5.70     | 5.82     |
| Portfolio turnover                                                          | 55                | 78       | 91       | 76       | 72       |
| Net assets at end of period (000 Omitted)                                   | \$49,461          | \$45,646 | \$36,948 | \$62,558 | \$65,044 |

(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.

**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 may invest up to 100% of its portfolio in high-yield securities rated below investment grade. Investments in high-yield securities involve greater degrees of credit and market risk than investments in higher-rated securities and tend to be more sensitive to economic conditions. The fund can invest in foreign securities, including securities of emerging market issuers. Investments in foreign securities are vulnerable to the effects of changes in the relative values of the local currency and the U.S. dollar and to the effects of changes in each country's legal, political, and economic environment. The markets of emerging markets countries are generally more volatile than the markets of developed countries with more mature economies. All of the risks of investing in foreign securities previously described are heightened when investing in emerging markets countries.

**Investment Valuations** 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. Forward foreign currency

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### *Notes to Financial Statements continued*

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

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

**Table of Contents***Notes to Financial Statements continued*

to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments not reflected in total investments, such as futures, forwards, swap contracts, and written options. The following is a summary of the levels used as of October 31, 2010 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                            | \$10,914,008        | \$214,590           | \$24,298        | \$11,152,896        |
| United Kingdom                           | 415,951             |                     |                 | 415,951             |
| Non-U.S. Sovereign Debt                  |                     | 714,037             |                 | 714,037             |
| Corporate Bonds                          |                     | 29,787,357          |                 | 29,787,357          |
| Commercial Mortgage-Backed Securities    |                     | 687,999             |                 | 687,999             |
| Asset-Backed Securities (including CDOs) |                     | 22,617              |                 | 22,617              |
| Foreign Bonds                            |                     | 4,747,910           |                 | 4,747,910           |
| Floating Rate Loans                      |                     | 694,223             |                 | 694,223             |
| Mutual Funds                             | 728,610             |                     |                 | 728,610             |
| <b>Total Investments</b>                 | <b>\$12,058,569</b> | <b>\$36,868,733</b> | <b>\$24,298</b> | <b>\$48,951,600</b> |

**Other Financial Instruments**

|                            |    |            |    |            |
|----------------------------|----|------------|----|------------|
| Forward Currency Contracts | \$ | \$(13,403) | \$ | \$(13,403) |
|----------------------------|----|------------|----|------------|

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

**Table of Contents***Notes to Financial Statements continued*

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

|                                                  | <b>Equity Securities</b> |
|--------------------------------------------------|--------------------------|
| Balance as of 10/31/09                           | \$5,320                  |
| Accrued discounts/premiums                       |                          |
| Realized gain (loss)                             |                          |
| Change in unrealized appreciation (depreciation) | 18,978                   |
| Purchases                                        |                          |
| Sales                                            |                          |
| Transfers into Level 3                           |                          |
| Transfers out of Level 3                         |                          |
| Balance as of 10/31/10                           | \$24,298                 |

The net change in unrealized appreciation (depreciation) from investments still held as Level 3 at October 31, 2010 is \$18,978.

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

**Derivatives** The fund may use derivatives for different purposes, including to earn income and enhance returns, to increase or decrease exposure to a particular market, to manage or adjust the risk profile of the fund, or as alternatives to direct investments. Derivatives may be used for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the fund uses derivatives as an investment to increase market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative's original cost.

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

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## Notes to Financial Statements 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, 2010 as reported in the Statement of Assets and Liabilities:

| Risk                       | Derivative                                  | Fair Value        |                       |
|----------------------------|---------------------------------------------|-------------------|-----------------------|
|                            |                                             | Asset Derivatives | Liability Derivatives |
| Foreign Exchange Contracts | Forward Foreign Currency Exchange Contracts | \$9,110           | \$(22,513)            |

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, 2010 as reported in the Statement of Operations:

| Risk                       | Foreign Currency Transactions |
|----------------------------|-------------------------------|
| Foreign Exchange Contracts | \$45,265                      |

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, 2010 as reported in the Statement of Operations:

| Risk                       | Translation of Assets and Liabilities in Foreign Currency |
|----------------------------|-----------------------------------------------------------|
| Foreign Exchange Contracts | \$(10,350)                                                |

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 balance sheet assets and liabilities across transactions between the fund and the applicable counterparty.

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

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

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### *Notes to Financial Statements continued*

netting as described above and for posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

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

**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.

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### *Notes to Financial Statements continued*

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

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

Distributions to shareholders are recorded on the ex-dividend date. 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 amortization and accretion of debt securities, defaulted bonds and deferred trustees compensation.

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

|                                                          | <b>10/31/10</b> | <b>10/31/09</b> |
|----------------------------------------------------------|-----------------|-----------------|
| Ordinary income (including any short-term capital gains) | \$3,480,552     | \$3,705,256     |
| Tax return of capital (b)                                | 1,235,104       |                 |
| Total distributions                                      | \$4,715,656     | \$3,705,256     |

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

**Table of Contents***Notes to Financial Statements continued*

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

|                                            |              |
|--------------------------------------------|--------------|
| <b>As of 10/31/10</b>                      |              |
| Cost of investments                        | \$49,908,062 |
| Gross appreciation                         | 4,287,514    |
| Gross depreciation                         | (5,243,976)  |
| Net unrealized appreciation (depreciation) | \$(956,462)  |
| Capital loss carryforwards                 | (14,578,972) |
| Other temporary differences                | (252,825)    |

As of October 31, 2010, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

|          |                |
|----------|----------------|
| 10/31/16 | \$(9,776,970)  |
| 10/31/17 | (4,711,246)    |
| 10/31/18 | (90,756)       |
| Total    | \$(14,578,972) |

**(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. The investment advisor has agreed in writing to reduce its management fee to the lesser of the contractual management fee as set forth above or 0.90% of the fund's 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, 2011. This management fee reduction amounted to \$27,322, 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, 2010 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, 2010, these fees paid to MFSC amounted to \$4,474.

**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, 2010 was equivalent to an annual effective rate of 0.0369% 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 \$4,339 and the Retirement Deferral plan resulted in an expense of \$23,073. Both amounts are included in independent Trustees' compensation for the year ended October 31, 2010. The liability for deferred retirement benefits payable to certain independent Trustees under both Plans amounted to \$107,948 at October 31, 2010, and is included in payable for independent Trustees' compensation on the Statement of Assets and Liabilities.

**Deferred Trustee Compensation** Under a Deferred Compensation Plan (the Plan ), independent Trustees previously were allowed to elect to defer receipt of all or a portion of their annual compensation. Effective January 1, 2005, the Board elected to no longer allow Trustees to defer receipt of future compensation under the Plan. Amounts deferred under the Plan are invested in shares of certain MFS Funds selected by the independent Trustees as notional investments. Deferred amounts represent an unsecured obligation of the fund until distributed in accordance with the Plan. Included in other assets and payable for independent Trustees' compensation on the Statement of Assets

**Table of Contents***Notes to Financial Statements continued*

and Liabilities is \$7,349 of deferred Trustees' compensation. There is no current year expense associated with the Plan.

**Other** This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The ICCO and Assistant ICCO are officers of the funds and the sole members of Tarantino LLC and Griffin Compliance LLC, respectively. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. For the year ended October 31, 2010, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were \$461 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 \$234, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO and Assistant ICCO.

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

**(4) Portfolio Securities**

Purchases and sales of investments, other than U.S. Government securities, purchased option transactions, and short-term obligations, aggregated \$25,432,088 and \$26,570,176, 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, 2010, the fund did not repurchase any shares. Transactions in fund shares were as follows:

|                                                                | Year ended<br>10/31/10 |           | Year ended<br>10/31/09 |             |
|----------------------------------------------------------------|------------------------|-----------|------------------------|-------------|
|                                                                | Shares                 | Amount    | Shares                 | Amount      |
| Shares issued to shareholders in reinvestment of distributions | 40,722                 | \$300,175 |                        | \$          |
| Treasury shares reacquired                                     |                        |           | (88,100)               | (369,604)   |
| Net change                                                     | 40,722                 | \$300,175 | (88,100)               | \$(369,604) |

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Notes to Financial Statements continued

### (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, 2010, the fund's commitment fee and interest expense were \$572 and \$0, respectively, and are included in miscellaneous expense on the Statement of Operations.

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

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

|                                          | Beginning<br>Shares/Par<br>Amount | Acquisitions<br>Shares/Par<br>Amount | Dispositions<br>Shares/Par<br>Amount | Ending<br>Shares/Par<br>Amount |
|------------------------------------------|-----------------------------------|--------------------------------------|--------------------------------------|--------------------------------|
| <b>Underlying Funds</b>                  |                                   |                                      |                                      |                                |
| MFS Institutional Money Market Portfolio | 400,012                           | 13,507,947                           | (13,179,349)                         | 728,610                        |
|                                          | Realized<br>Gain (Loss)           | Capital Gain<br>Distributions        | Dividend<br>Income                   | Ending<br>Value                |
| <b>Underlying Funds</b>                  |                                   |                                      |                                      |                                |
| MFS Institutional Money Market Portfolio | \$                                | \$                                   | \$1,762                              | \$728,610                      |

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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, 2010, 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, 2010, 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, 2010, 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, 2010

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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 7, 2010, the following actions were taken:

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

| Nominee             | Number of Shares |                    |
|---------------------|------------------|--------------------|
|                     | For              | Withheld Authority |
| Maureen R. Goldfarb | 5,909,309.272    | 231,007.238        |
| Robert J. Manning   | 5,904,035.272    | 236,281.238        |
| Laurie J. Thomsen   | 5,906,784.272    | 233,532.238        |

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

The Trustees and officers of the Trust, as of December 1, 2010, 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, Date of Birth</b>               | <b>Position(s) Held with Fund</b> | <b>Trustee/Officer Since (h)</b> | <b>Term Expiring</b> | <b>Principal Occupations During the Past Five Years &amp; Other Directorships (j)</b>                                                                                                                                                                                                                                                                                  |
|------------------------------------------|-----------------------------------|----------------------------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>INTERESTED TRUSTEES</b>               |                                   |                                  |                      |                                                                                                                                                                                                                                                                                                                                                                        |
| Robert J. Manning (k)<br>(born 10/20/63) | Trustee                           | February 2004                    | 2013                 | Massachusetts Financial Services Company, Chairman, Chief Executive Officer and Director; President (until December 2009); Chief Investment Officer (until July 2010)                                                                                                                                                                                                  |
| Robert C. Pozen (k)<br>(born 8/08/46)    | Trustee                           | February 2004                    | 2012                 | Massachusetts Financial Services Company, Chairman Emeritus; Chairman (until July 2010); Medtronic, Inc. (medical devices), Director (since 2004); Harvard Business School (education), Senior Lecturer (since 2008); Telesat (satellite communications), Director (until November 2007); Bell Canada Enterprises (telecommunications), Director (until February 2009) |
| <b>INDEPENDENT TRUSTEES</b>              |                                   |                                  |                      |                                                                                                                                                                                                                                                                                                                                                                        |
| David H. Gunning<br>(born 5/30/42)       | 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), Portman Limited (mining), Director (until 2008)                                                                               |
| Robert E. Butler<br>(born 11/29/41)      | Trustee                           | January 2006                     | 2012                 | Consultant investment company industry regulatory and compliance matters; PricewaterhouseCoopers LLP (professional services firm), Partner (until 2002)                                                                                                                                                                                                                |

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

| <b>Name, Date of Birth</b>                | <b>Position(s) Held with Fund</b> | <b>Trustee/Officer Since (h)</b> | <b>Term Expiring</b> | <b>Principal Occupations During the Past Five Years &amp; Other Directorships (j)</b>                                                                                                                                                                                |
|-------------------------------------------|-----------------------------------|----------------------------------|----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Maureen R. Goldfarb<br><br>(born 4/06/55) | Trustee                           | January 2009                     | 2013                 | Private investor; John Hancock Financial Services, Inc., Executive Vice President (until 2004); John Hancock Mutual Funds, Trustee and Chief Executive Officer (until 2004)                                                                                          |
| William R. Gutow<br>(born 9/27/41)        | Trustee                           | December 1993                    | 2011                 | Private investor and real estate consultant; Capital Entertainment Management Company (video franchise), Vice Chairman; Texas Donuts (donut franchise), Vice Chairman (since 2007); Atlantic Coast Tan (tanning salons), Vice Chairman (until 2007)                  |
| Michael Hegarty<br>(born 12/21/44)        | Trustee                           | December 2004                    | 2011                 | Private Investor; AXA Financial (financial services and insurance), Vice Chairman and Chief Operating Officer (until 2001); The Equitable Life Assurance Society (insurance), President and Chief Operating Officer (until 2001)                                     |
| John P. Kavanaugh<br><br>(born 11/04/54)  | 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) |
| J. Dale Sherratt<br>(born 9/23/38)        | Trustee                           | June 1989                        | 2012                 | Insight Resources, Inc. (acquisition planning specialists), President; Wellfleet Investments (investor in health care companies), Managing General Partner                                                                                                           |
| Laurie J. Thomsen<br>(born 8/05/57)       | Trustee                           | March 2005                       | 2013                 | Private investor; The Travelers Companies (property and casualty insurance), Director; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)                                                                                                       |

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

| <b>Name, Date of Birth</b>                  | <b>Position(s) Held with Fund</b>       | <b>Trustee/Officer Since (h)</b> | <b>Term Expiring</b> | <b>Principal Occupations During the Past Five Years &amp; Other Directorships (j)</b>                                                                                                                                                                                        |
|---------------------------------------------|-----------------------------------------|----------------------------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Robert W. Uek<br>(born 5/18/41)             | Trustee                                 | January 2006                     | 2011                 | Consultant to investment company industry; PricewaterhouseCoopers LLP (professional services firm), Partner (until 1999); TT International Funds (mutual fund complex), Trustee (until 2005); Hillview Investment Trust II Funds (mutual fund complex), Trustee (until 2005) |
| <b>OFFICERS</b>                             |                                         |                                  |                      |                                                                                                                                                                                                                                                                              |
| Maria F. DiOrioDwyer (k)<br>(born 12/01/58) | President                               | March 2004                       | N/A                  | Massachusetts Financial Services Company, Executive Vice President and Chief Regulatory Officer (since March 2004) Chief Compliance Officer (since December 2006)                                                                                                            |
| Christopher R. Bohane (k)<br>(born 1/18/74) | Assistant Secretary and Assistant Clerk | July 2005                        | N/A                  | Massachusetts Financial Services Company, Vice President and Senior Counsel                                                                                                                                                                                                  |
| John M. Corcoran (k)<br><br>(born 4/13/65)  | 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)                                                                               |
| Ethan D. Corey (k)<br>(born 11/21/63)       | Assistant Secretary and Assistant Clerk | July 2005                        | N/A                  | Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel                                                                                                                                                                                |
| David L. DiLorenzo (k)<br>(born 8/10/68)    | Assistant Treasurer                     | July 2005                        | N/A                  | Massachusetts Financial Services Company, Vice President (since June 2005); JP Morgan Investor Services, Vice President (until June 2005)                                                                                                                                    |
| Timothy M. Fagan (k)<br>(born 7/10/68)      | Assistant Secretary and Assistant Clerk | September 2005                   | N/A                  | Massachusetts Financial Services Company, Vice President and Senior Counsel (since September 2005); John Hancock Advisers, LLC, Vice President, Senior Attorney and Chief Compliance Officer (until August 2005)                                                             |

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

| <b>Name, Date of Birth</b>                | <b>Position(s) Held with Fund</b>              | <b>Trustee/Officer Since (h)</b> | <b>Term Expiring</b> | <b>Principal Occupations During the Past Five Years &amp; Other Directorships (j)</b>                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------|------------------------------------------------|----------------------------------|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mark D. Fischer (k)<br>(born 10/27/70)    | Assistant Treasurer                            | July 2005                        | N/A                  | Massachusetts Financial Services Company, Vice President (since May 2005); JP Morgan Investment Management Company, Vice President (until May 2005)                                                                                                                                                                                                                                                                           |
| Robyn L. Griffin<br>(born 7/04/75)        | 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), Senior Manager (prior to April 2006) |
| Brian E. Langenfeld (k)<br>(born 3/07/73) | Assistant Secretary and Assistant Clerk        | June 2006                        | N/A                  | Massachusetts Financial Services Company, Vice President and Senior Counsel (since May 2006); John Hancock Advisers, LLC, Assistant Vice President and Counsel (until April 2006)                                                                                                                                                                                                                                             |
| Ellen Moynihan (k)<br>(born 11/13/57)     | Assistant Treasurer                            | April 1997                       | N/A                  | Massachusetts Financial Services Company, Senior Vice President                                                                                                                                                                                                                                                                                                                                                               |
| Susan S. Newton (k)<br>(born 3/07/50)     | Assistant Secretary and Assistant Clerk        | May 2005                         | N/A                  | Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel                                                                                                                                                                                                                                                                                                                                 |
| Susan A. Pereira (k)<br>(born 11/05/70)   | Assistant Secretary and Assistant Clerk        | July 2005                        | N/A                  | Massachusetts Financial Services Company, Vice President and Senior Counsel                                                                                                                                                                                                                                                                                                                                                   |
| Mark N. Polebaum (k)<br>(born 5/01/52)    | Secretary and Clerk                            | January 2006                     | N/A                  | Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary (since January 2006); Wilmer Cutler Pickering Hale and Dorr LLP (law firm), Partner (until January 2006)                                                                                                                                                                                                                    |
| Frank L. Tarantino<br>(born 3/07/44)      | Independent Chief Compliance Officer           | June 2004                        | N/A                  | Tarantino LLC (provider of compliance services), Principal                                                                                                                                                                                                                                                                                                                                                                    |

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### Trustees and Officers continued

| Name, Date of Birth                      | Position(s) Held with Fund              | Trustee/Officer Since (h) | Term Expiring | Principal Occupations During the Past Five Years & Other Directorships (j)             |
|------------------------------------------|-----------------------------------------|---------------------------|---------------|----------------------------------------------------------------------------------------|
| Richard S. Weitzel (k)<br>(born 7/16/70) | Assistant Secretary and Assistant Clerk | October 2007              | N/A           | Massachusetts Financial Services Company, Vice President and Assistant General Counsel |
| James O. Yost (k)<br>(born 6/12/60)      | Assistant Treasurer                     | September 1990            | N/A           | Massachusetts Financial Services Company, Senior Vice President                        |

(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, Sherratt 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, 2010, the Trustees served as board members of 99 funds within the MFS Family of Funds.

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

John Addeo  
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, 2010 ( 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, 2009 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, 2009, 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 6 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 4th out of a total of 7 funds for the one-year period and 5th out of a total of 5 funds for the five-year period ended December 31, 2009. Given the size of the

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### *Board Review of Investment Advisory Agreement continued*

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, 2009 (55.9% total return for the Fund versus 42.1% total return for the benchmark) and under-performed its custom benchmark for each of the three and five-year periods ended December 31, 2009 (three-year: -1.3% total return for the Fund versus 0.8% total return for the benchmark; five-year: 1.6% total return for the Fund versus 4.4% 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 a new portfolio manager for the Fund in 2009. 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 provided by MFS as to the generally broader scope of services provided by

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*Board Review of Investment Advisory Agreement continued*

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' 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 Funds were satisfactory.

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*Board Review of Investment Advisory Agreement continued*

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, 2010.

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. The fund's Form N-Q may be reviewed and copied at the:

Public Reference Room

Securities and Exchange Commission

100 F Street, NE, Room 1580

Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. The fund's Form N-Q is available on the EDGAR database on the Commission's Internet Web site at <http://www.sec.gov>, and copies of this information may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov) or by writing the Public Reference Section at the above address.

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

### **FURTHER INFORMATION**

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

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

The fund will notify shareholders of amounts for use in preparing 2010 income tax forms in January 2011. 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.

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## MFS® PRIVACY NOTICE

Privacy is a concern for every investor today. At MFS Investment Management® and the MFS funds, we take this concern very seriously. We want you to understand our policies about the investment products and services that we offer, and how we protect the nonpublic personal information of investors who have a direct relationship with us and our wholly owned subsidiaries.

Throughout our business relationship, you provide us with personal information. We maintain information and records about you, your investments, and the services you use. Examples of the nonpublic personal information we maintain include

- data from investment applications and other forms
- share balances and transactional history with us, our affiliates, or others
- facts from a consumer reporting agency

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law. We may share nonpublic personal information with third parties or certain of our affiliates in connection with servicing your account or processing your transactions. We may share information with companies or financial institutions that perform marketing services on our behalf or with other financial institutions with which we have joint marketing arrangements, subject to any legal requirements.

Authorization to access your nonpublic personal information is limited to appropriate personnel who provide products, services, or information to you. We maintain physical, electronic, and procedural safeguards to help protect the personal information we collect about you.

If you have any questions about the MFS privacy policy, please call 1-800-225-2606 any business day.

*Note:* If you own MFS products or receive MFS services in the name of a third party such as a bank or broker-dealer, their privacy policy may apply to you instead of ours.

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## CONTACT US

Transfer Agent, Registrar and Dividend Disbursing Agent

Call

1-800-637-2304

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

Write

Computershare Trust Company, N.A.

P.O. Box 43078

Providence, RI 02940-3078

500 Boylston Street, Boston, MA 02116

New York Stock Exchange Symbol: MFV

**Table of Contents****ITEM 2. CODE OF ETHICS.**

The Registrant has adopted a Code of Ethics pursuant to Section 406 of the Sarbanes-Oxley Act and as defined in Form N-CSR that applies to the Registrant's principal executive officer and principal financial and accounting officer. The Registrant has not amended any provision in its Code of Ethics (the "Code") that relates to an element of the Code's definitions enumerated in paragraph (b) of Item 2 of this Form N-CSR. During the period covered by this report, the Registrant did not grant a waiver, including an implicit waiver, from any provision of the Code.

**ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.**

Messrs. Robert E. Butler, John P. Kavanaugh and Robert W. Uek and Ms. Laurie J. Thomsen, members of the Audit Committee, have been determined by the Board of Trustees in their reasonable business judgment to meet the definition of "audit committee financial expert" as such term is defined in Form N-CSR. In addition, Messrs. Butler, Kavanaugh and Uek and Ms. Thomsen are "independent" members of the Audit Committee (as such term has been defined by the Securities and Exchange Commission in regulations implementing Section 407 of the Sarbanes-Oxley Act of 2002). The Securities and Exchange Commission has stated that the designation of a person as an audit committee financial expert pursuant to this Item 3 on the Form N-CSR does not impose on such a person any duties, obligations or liability that are greater than the duties, obligations or liability imposed on such person as a member of the Audit Committee and the Board of Trustees in the absence of such designation or identification.

**ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.****Items 4(a) through 4(d) and 4(g):**

The Board of Trustees has appointed Ernst & Young LLP ("E&Y") to serve as independent accountants to the Registrant (hereinafter the "Registrant" or the "Fund"). The tables below set forth the audit fees billed to the Fund as well as fees for non-audit services provided to the Fund and/or to the Fund's investment adviser, Massachusetts Financial Services Company ("MFS") and to various entities either controlling, controlled by, or under common control with MFS that provide ongoing services to the Fund ("MFS Related Entities").

For the fiscal years ended October 31, 2010 and 2009, audit fees billed to the Fund by E&Y were as follows:

|                                | Audit Fees |        |
|--------------------------------|------------|--------|
|                                | 2010       | 2009   |
| <b>Fees billed by E&amp;Y:</b> |            |        |
| MFS Special Value Trust        | 42,763     | 41,940 |

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For the fiscal years ended October 31, 2010 and 2009, fees billed by E&Y for audit-related, tax and other services provided to the Fund and for audit-related, tax and other services provided to MFS and MFS Related Entities were as follows:

|                                                             | Audit-Related Fees <sup>1</sup> |                         | Tax Fees <sup>2</sup> |       | All Other Fees <sup>3</sup> |      |
|-------------------------------------------------------------|---------------------------------|-------------------------|-----------------------|-------|-----------------------------|------|
|                                                             | 2010                            | 2009                    | 2010                  | 2009  | 2010                        | 2009 |
| <b>Fees billed by E&amp;Y:</b>                              |                                 |                         |                       |       |                             |      |
| To MFS Special Value Trust                                  | 10,000                          | 10,000                  | 8,552                 | 8,463 | 0                           | 0    |
| To MFS and MFS Related Entities of MFS Special Value Trust* | 0                               | 0                       | 0                     | 0     | 0                           | 0    |
|                                                             | <b>2010</b>                     | <b>2009<sup>4</sup></b> |                       |       |                             |      |
| <b>Aggregate fees for non-audit services:</b>               |                                 |                         |                       |       |                             |      |
| To MFS Special Value Trust, MFS and MFS Related Entities#   | 257,228                         | 247,040                 |                       |       |                             |      |

\* This amount reflects the fees billed to MFS and MFS Related Entities for non-audit services relating directly to the operations and financial reporting of the Fund (portions of which services also related to the operations and financial reporting of other funds within the MFS Funds complex).

# This amount reflects the aggregate fees billed by E&Y for non-audit services rendered to the Fund and for non-audit services rendered to MFS and the MFS Related Entities.

<sup>1</sup> The fees included under Audit-Related Fees are fees related to assurance and related services that are reasonably related to the performance of the audit or review of financial statements, but not reported under Audit Fees, including accounting consultations, agreed-upon procedure reports, attestation reports, comfort letters and internal control reviews.

<sup>2</sup> The fees included under Tax Fees are fees associated with tax compliance, tax advice and tax planning, including services relating to the filing or amendment of federal, state or local income tax returns, regulated investment company qualification reviews and tax distribution and analysis.

<sup>3</sup> The fees under All Other Fees are fees for products and services provided by E&Y other than those reported under Audit Fees, Audit-Related Fees and Tax Fees.

<sup>4</sup> E&Y fees reported in 2009 have been restated in this filing from those reported in the Registrant's filing for the reporting period ended October 31, 2009.

### Item 4(e)(1):

Set forth below are the policies and procedures established by the Audit Committee of the Board of Trustees relating to the pre-approval of audit and non-audit related services:

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To the extent required by applicable law, pre-approval by the Audit Committee of the Board is needed for all audit and permissible non-audit services rendered to the Fund and all permissible non-audit services rendered to MFS or MFS Related Entities if the services relate directly to the operations and financial reporting of the Registrant. Pre-approval is currently on an engagement-by-engagement basis. In the event pre-approval of such services is necessary between regular meetings of the Audit Committee and it is not practical to wait to seek pre-approval at the next regular meeting of the Audit Committee, pre-approval of such services may be referred to the Chair of the Audit Committee for approval; provided that the Chair may not pre-approve any individual engagement for such services exceeding \$50,000 or multiple engagements for such services in the aggregate exceeding \$100,000 between such regular meetings of the Audit Committee. Any engagement pre-approved by the Chair between regular meetings of the Audit Committee shall be presented for ratification by the entire Audit Committee at its next regularly scheduled meeting.

### **Item 4(e)(2):**

None, or 0%, of the services relating to the Audit-Related Fees, Tax Fees and All Other Fees paid by the Fund and MFS and MFS Related Entities relating directly to the operations and financial reporting of the Registrant disclosed above were approved by the audit committee pursuant to paragraphs (c)(7)(i)(C) of Rule 2-01 of Regulation S-X (which permits audit committee approval after the start of the engagement with respect to services other than audit, review or attest services, if certain conditions are satisfied).

### **Item 4(f):** Not applicable.

**Item 4(h):** The Registrant's Audit Committee has considered whether the provision by a Registrant's independent registered public accounting firm of non-audit services to MFS and MFS Related Entities that were not pre-approved by the Committee (because such services were provided prior to the effectiveness of SEC rules requiring pre-approval or because such services did not relate directly to the operations and financial reporting of the Registrant) was compatible with maintaining the independence of the independent registered public accounting firm as the Registrant's principal auditors.

## **ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.**

The Registrant has an Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the Audit Committee are Messrs. Robert E. Butler, John P. Kavanaugh, J. Dale Sherratt and Robert W. Uek and Ms. Laurie J. Thomsen.

## **ITEM 6. SCHEDULE OF INVESTMENTS**

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

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

**MASSACHUSETTS FINANCIAL SERVICES COMPANY**

**PROXY VOTING POLICIES AND PROCEDURES**

**February 1, 2010**

Massachusetts Financial Services Company, MFS Institutional Advisors, Inc., MFS International (UK) Limited, MFS Heritage Trust Company, and MFS other subsidiaries that perform discretionary investment management activities (except Four Pillars Capital, Inc.) (collectively, MFS ) have adopted proxy voting policies and procedures, as set forth below ( MFS Proxy Voting Policies and Procedures ), with respect to securities owned by the clients for which MFS serves as investment adviser and has the power to vote proxies, including the registered investment companies sponsored by MFS (the MFS Funds ). References to clients in these policies and procedures include the MFS Funds and other clients of MFS, such as funds organized offshore, sub-advised funds and separate account clients, to the extent these clients have delegated to MFS the responsibility to vote proxies on their behalf under the MFS Proxy Voting Policies and Procedures.

The MFS Proxy Voting Policies and Procedures include:

- A. Voting Guidelines;
- B. Administrative Procedures;
- C. Monitoring System;
- D. Records Retention; and
- E. Reports.

**A. VOTING GUIDELINES**

***1. General Policy; Potential Conflicts of Interest***

MFS policy is that proxy voting decisions are made in what MFS believes to be the best long-term economic interests of MFS clients, and not in the interests of any other party or in MFS' corporate interests, including interests such as the distribution of MFS Fund shares, and institutional relationships.

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In developing these proxy voting guidelines, MFS reviews corporate governance issues and proxy voting matters that are presented for shareholder vote by either management or shareholders of public companies. Based on the overall principle that all votes cast by MFS on behalf of its clients must be in what MFS believes to be the best long-term economic interests of such clients, MFS has adopted proxy voting guidelines, set forth below, that govern how MFS generally will vote on specific matters presented for shareholder vote.

As a general matter, MFS votes consistently on similar proxy proposals across all shareholder meetings. However, some proxy proposals, such as certain excessive executive compensation, environmental, social and governance matters, are analyzed on a case-by-case basis in light of all the relevant facts and circumstances of the proposal. Therefore, MFS may vote similar proposals differently at different shareholder meetings based on the specific facts and circumstances of the issuer or the terms of the proposal. In addition, MFS also reserves the right to override the guidelines with respect to a particular proxy proposal when such an override is, in MFS' best judgment, consistent with the overall principle of voting proxies in the best long-term economic interests of MFS' clients.

MFS also generally votes consistently on the same matter when securities of an issuer are held by multiple client accounts, unless MFS has received explicit voting instructions to vote differently from a client for its own account. From time to time, MFS may also receive comments on the MFS Proxy Voting Policies and Procedures from its clients. These comments are carefully considered by MFS when it reviews these guidelines and revises them as appropriate.

These policies and procedures are intended to address any potential material conflicts of interest on the part of MFS or its subsidiaries that are likely to arise in connection with the voting of proxies on behalf of MFS' clients. If such potential material conflicts of interest do arise, MFS will analyze, document and report on such potential material conflicts of interest (see Sections B.2 and E below), and shall ultimately vote the relevant proxies in what MFS believes to be the best long-term economic interests of its clients. The MFS Proxy Voting Committee is responsible for monitoring and reporting with respect to such potential material conflicts of interest.

MFS is also a signatory to the United Nations Principles for Responsible Investment. In developing these guidelines, MFS considered environmental, social and corporate governance issues in light of MFS' fiduciary obligation to vote proxies in the best long-term economic interest of its clients.

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**2. MFS Policy on Specific Issues**  
**Election of Directors**

MFS believes that good governance should be based on a board with at least a simple majority of directors who are independent of management, and whose key committees (e.g., compensation, nominating, and audit committees) are comprised entirely of independent directors. While MFS generally supports the board's nominees in uncontested elections, we will not support a nominee to a board of a U.S. issuer if, as a result of such nominee being elected to the board, the board would be comprised of a majority of members who are not independent or, alternatively, the compensation, nominating (including instances in which the full board serves as the nominating committee) or audit committees would include members who are not independent.

MFS will also not support a nominee to a board if we can determine that he or she failed to attend at least 75% of the board and/or relevant committee meetings in the previous year without a valid reason stated in the proxy materials or other company communications. In addition, MFS will not support all nominees standing for re-election to a board if we can determine: (1) since the last annual meeting of shareholders and without shareholder approval, the board or its compensation committee has re-priced or exchanged underwater stock options; or (2) since the last annual meeting, the board has either implemented a poison pill without shareholder approval (including those related to net-operating loss carryforwards), or has not taken responsive action to a majority shareholder approved resolution recommending that the poison pill be rescinded. Responsive action would include the rescission of the poison pill (without a broad reservation to reinstate the poison pill in the event of a hostile tender offer), or assurance in the proxy materials that the terms of the poison pill would be put to a binding shareholder vote within the next five to seven years.

MFS will also not support a nominee (other than a nominee who serves as the issuer's Chief Executive Officer) standing for re-election if such nominee participated (as a director or committee member) in the approval of senior executive compensation that MFS deems to be excessive due to pay for performance issues and/or poor pay practices. In the event that MFS determines that an issuer has adopted excessive executive compensation, MFS may also not support the re-election of the issuer's Chief Executive Officer as director regardless of whether the Chief Executive Officer directly participated in the approval of the package. MFS will determine whether senior executive compensation is excessive on a case-by-case basis. Examples of excessive executive compensation practices may include, but are not limited to, a pay-for-performance disconnect, egregious employment contract terms such as guaranteed bonus provisions, excessive pension payouts, backdated stock options, overly generous hiring bonuses for chief executive officers, excessive perquisites, or the potential reimbursement of excise taxes to an executive in regards to a severance package.

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MFS evaluates a contested or contentious election of directors on a case-by-case basis considering the long-term financial performance of the company relative to its industry, management's track record, the qualifications of the nominees for both slates, if applicable, and an evaluation of what each side is offering shareholders.

### **Majority Voting and Director Elections**

MFS votes for reasonably crafted proposals calling for directors to be elected with an affirmative majority of votes cast and/or the elimination of the plurality standard for electing directors (including binding resolutions requesting that the board amend the company's bylaws), provided the proposal includes a carve-out for a plurality voting standard when there are more director nominees than board seats (*e.g.*, contested elections) (Majority Vote Proposals). MFS considers voting against Majority Vote Proposals if the company has adopted, or has proposed to adopt in the proxy statement, formal corporate governance principles that present a meaningful alternative to the majority voting standard and provide an adequate response to both new nominees as well as incumbent nominees who fail to receive a majority of votes cast. MFS believes that a company's election policy should address the specific circumstances at that company. In determining whether the issuer has a meaningful alternative to the majority voting standard, MFS considers whether a company's election policy articulates the following elements to address each director nominee who fails to receive an affirmative majority of votes cast in an election:

Establish guidelines for the process by which the company determines the status of nominees who fail to receive an affirmative majority of votes cast and disclose the guidelines in the annual proxy statement;

Guidelines should include a reasonable timetable for resolution of the nominee's status and a requirement that the resolution be disclosed together with the reasons for the resolution;

Vest management of the process in the company's independent directors, other than the nominee in question; and

Outline the range of remedies that the independent directors may consider concerning the nominee.

### **Classified Boards**

MFS generally opposes proposals to classify a board (*e.g.* a board in which only one-third of board members is elected each year) for issuers (other than for certain closed-end investment companies). MFS generally supports proposals to declassify a board for issuers (other than for certain closed-end investment companies).

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### **Non-Salary Compensation Programs**

MFS votes against stock option programs for officers, employees or non-employee directors that do not require an investment by the optionee, that give free rides on the stock price, or that permit grants of stock options with an exercise price below fair market value on the date the options are granted.

MFS also opposes stock option programs that allow the board or the compensation committee, without shareholder approval, to re-price underwater options or to automatically replenish shares (i.e. evergreen plans). MFS will consider proposals to exchange existing options for newly issued options, restricted stock or cash on a case-by-case basis, taking into account certain factors, including, but not limited to, whether there is a reasonable value-for-value exchange and whether senior executives are excluded from participating in the exchange.

MFS opposes stock option programs and restricted stock plans that provide unduly generous compensation for officers, directors or employees, or could result in excessive dilution to other shareholders. As a general guideline, MFS votes against restricted stock plans, stock option, non-employee director, omnibus stock plans and any other stock plan if all such plans for a particular company involve potential dilution, in the aggregate, of more than 15%. However, MFS will also vote against stock plans that involve potential dilution, in aggregate, of more than 10% at U.S. issuers that are listed in the Standard and Poor's 100 index as of December 31 of the previous year.

### **Expensing of Stock Options**

MFS supports shareholder proposals to expense stock options because we believe that the expensing of options presents a more accurate picture of the company's financial results to investors. We also believe that companies are likely to be more disciplined when granting options if the value of stock options were treated as an expense item on the company's income statements.

### **Executive Compensation**

MFS believes that competitive compensation packages are necessary to attract, motivate and retain executives. However, MFS also recognizes that certain executive compensation practices can be excessive and not in the best, long-term economic interest of a company's shareholders. We believe that the election of an issuer's compensation committee members and votes on stock plans (as outlined above) are currently the most effective mechanisms to express our view on a company's compensation practices.

MFS also supports reasonably crafted shareholder proposals that (i) require the issuer to adopt a policy to recover the portion of performance-based bonuses and awards paid to senior executives that were not earned based upon a significant

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negative restatement of earnings unless the company already has adopted a satisfactory policy on the matter, or (ii) expressly prohibit the backdating of stock options. Although we support linking executive stock option grants to a company's performance, MFS opposes shareholder proposals that mandate a link of performance-based options to a specific industry or peer group stock index. MFS also opposes shareholder proposals that seek to set rigid restrictions on executive compensation as MFS believes that compensation committees should retain some flexibility to propose the appropriate index or other criteria by which performance-based options should be measured.

### **Advisory Votes on Executive Compensation**

MFS supports reasonably crafted shareholder proposals to include an advisory shareholder vote on an issuer's executive compensation practices in the issuer's proxy statement.

For a U.S. issuer that already includes an advisory vote on its executive compensation practices in its proxy statement, MFS will generally support the issuer's advisory vote, unless MFS has determined that issuer has adopted excessive executive compensation practices.

### **Employee Stock Purchase Plans**

MFS supports the use of a broad-based employee stock purchase plans to increase company stock ownership by employees, provided that shares purchased under the plan are acquired for no less than 85% of their market value and do not result in excessive dilution.

### **Golden Parachutes**

From time to time, shareholders of companies have submitted proxy proposals that would require shareholder approval of severance packages for executive officers that exceed certain predetermined thresholds. MFS votes in favor of such shareholder proposals when they would require shareholder approval of any severance package for an executive officer that exceeds a certain multiple of such officer's annual compensation that is not determined in MFS' judgment to be excessive.

### **Anti-Takeover Measures**

In general, MFS votes against any measure that inhibits capital appreciation in a stock, including proposals that protect management from action by shareholders. These types of proposals take many forms, ranging from poison pills and shark repellents to super-majority requirements.

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MFS generally votes for proposals to rescind existing poison pills and proposals that would require shareholder approval to adopt prospective poison pills, unless the company already has adopted a clearly satisfactory policy on the matter. MFS may consider the adoption of a prospective poison pill or the continuation of an existing poison pill if we can determine that the following two conditions are met: (1) the poison pill allows MFS clients to hold an aggregate position of up to 15% of a company's total voting securities (and of any class of voting securities); and (2) either (a) the poison pill has a term of not longer than five years, provided that MFS will consider voting in favor of the poison pill if the term does not exceed seven years and the poison pill is linked to a business strategy or purpose that MFS believes is likely to result in greater value for shareholders; or (b) the terms of the poison pill allow MFS clients the opportunity to accept a fairly structured and attractively priced tender offer (e.g. a chewable poison pill that automatically dissolves in the event of an all cash, all shares tender offer at a premium price). MFS will also consider on a case-by-case basis proposals designed to prevent tenders which are disadvantageous to shareholders such as tenders at below market prices and tenders for substantially less than all shares of an issuer.

MFS will consider any poison pills designed to protect a company's net-operating loss carryforwards on a case-by-case basis, weighing the accounting and tax benefits of such a pill against the risk of deterring future acquisition candidates.

### **Reincorporation and Reorganization Proposals**

When presented with a proposal to reincorporate a company under the laws of a different state, or to effect some other type of corporate reorganization, MFS considers the underlying purpose and ultimate effect of such a proposal in determining whether or not to support such a measure. MFS generally votes with management in regards to these types of proposals, however, if MFS believes the proposal is in the best long-term economic interests of its clients, then MFS may vote against management (e.g. the intent or effect would be to create additional inappropriate impediments to possible acquisitions or takeovers).

### **Issuance of Stock**

There are many legitimate reasons for the issuance of stock. Nevertheless, as noted above under Non-Salary Compensation Programs, when a stock option plan (either individually or when aggregated with other plans of the same company) would substantially dilute the existing equity (e.g. by approximately 10-15% as described above), MFS generally votes against the plan. In addition, MFS typically votes against proposals where management is asking for authorization to issue common or preferred stock with no reason stated (a blank check) because the unexplained authorization could work as a potential anti-takeover device. MFS may also vote against the authorization or issuance of common or preferred stock if MFS determines that the requested authorization is excessive and not warranted.

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### **Repurchase Programs**

MFS supports proposals to institute share repurchase plans in which all shareholders have the opportunity to participate on an equal basis. Such plans may include a company acquiring its own shares on the open market, or a company making a tender offer to its own shareholders.

### **Confidential Voting**

MFS votes in favor of proposals to ensure that shareholder voting results are kept confidential. For example, MFS supports proposals that would prevent management from having access to shareholder voting information that is compiled by an independent proxy tabulation firm.

### **Cumulative Voting**

MFS opposes proposals that seek to introduce cumulative voting and for proposals that seek to eliminate cumulative voting. In either case, MFS will consider whether cumulative voting is likely to enhance the interests of MFS clients as minority shareholders. In our view, shareholders should provide names of qualified candidates to a company's nominating committee, which, in our view, should be comprised solely of independent directors.

### **Written Consent and Special Meetings**

Because the shareholder right to act by written consent (without calling a formal meeting of shareholders) can be a powerful tool for shareholders, MFS generally opposes proposals that would prevent shareholders from taking action without a formal meeting or would take away a shareholder's right to call a special meeting of company shareholders pursuant to relevant state law.

### **Independent Auditors**

MFS believes that the appointment of auditors for U.S. issuers is best left to the board of directors of the company and therefore supports the ratification of the board's selection of an auditor for the company. Some shareholder groups have submitted proposals to limit the non-audit activities of a company's audit firm or prohibit *any* non-audit services by a company's auditors to that company. MFS opposes proposals recommending the prohibition or limitation of the performance of non-audit services by an auditor, and proposals recommending the removal of a company's auditor due to the performance of non-audit work for the company by its auditor. MFS believes that the board, or its audit committee, should have the discretion to hire the company's auditor for specific pieces of non-audit work in the limited situations permitted under current law.

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### **Environmental, Social and Governance ( ESG ) Issues**

MFS believes that a company's ESG practices may have an impact on the company's long-term economic financial performance and will generally support proposals relating to ESG issues that MFS believes are in the best long-term economic interest of the company's shareholders. For those ESG proposals for which a specific policy has not been adopted, MFS considers such ESG proposals on a case-by-case basis. As a result, it may vote similar proposals differently at various shareholder meetings based on the specific facts and circumstances of such proposal.

MFS generally supports proposals that seek to remove governance structures that insulate management from shareholders (*i.e.*, anti-takeover measures) or that seek to enhance shareholder rights. Many of these governance-related issues, including compensation issues, are outlined within the context of the above guidelines. In addition, MFS typically supports proposals that require an issuer to reimburse successful dissident shareholders (who are not seeking control of the company) for reasonable expenses that such dissident incurred in soliciting an alternative slate of director candidates. MFS typically does not support proposals to separate the chairman and CEO positions as we believe that the most beneficial leadership structure of a company should be determined by the company's board of directors. For any governance-related proposal for which an explicit guideline is not provided above, MFS will consider such proposals on a case-by-case basis and will support such proposals if MFS believes that it is in the best long-term economic interest of the company's shareholders.

MFS generally supports proposals that request disclosure on the impact of environmental issues on the company's operations, sales, and capital investments. However, MFS may not support such proposals based on the facts and circumstances surrounding a specific proposal, including, but not limited to, whether (i) the proposal is unduly costly, restrictive, or burdensome, (ii) the company already provides publicly-available information that is sufficient to enable shareholders to evaluate the potential opportunities and risks that environmental matters pose to the company's operations, sales and capital investments, or (iii) the proposal seeks a level of disclosure that exceeds that provided by the company's industry peers. MFS will analyze all other environmental proposals on a case-by-case basis and will support such proposals if MFS believes such proposal is in the best long-term economic interest of the company's shareholders.

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MFS will analyze social proposals on a case-by-case basis. MFS will support such proposals if MFS believes that such proposal is in the best long-term economic interest of the company's shareholders. Generally, MFS will support shareholder proposals that (i) seek to amend a company's equal employment opportunity policy to prohibit discrimination based on sexual orientation and gender identity; and (ii) request additional disclosure regarding a company's political contributions.

The laws of various states or countries may regulate how the interests of certain clients subject to those laws (e.g. state pension plans) are voted with respect to social issues. Thus, it may be necessary to cast ballots differently for certain clients than MFS might normally do for other clients.

## **Foreign Issuers**

MFS generally supports the election of a director nominee standing for re-election in uncontested elections unless it can be determined that (1) he or she failed to attend at least 75% of the board and/or relevant committee meetings in the previous year without a valid reason given in the proxy materials; (2) since the last annual meeting of shareholders and without shareholder approval, the board or its compensation committee has re-priced underwater stock options; or (3) since the last annual meeting, the board has either implemented a poison pill without shareholder approval or has not taken responsive action to a majority shareholder approved resolution recommending that the poison pill be rescinded. MFS generally supports the election of auditors, but may determine to vote against the election of a statutory auditor in certain markets if MFS reasonably believes that the statutory auditor is not truly independent.

Some international markets have adopted mandatory requirements for all companies to hold advisory votes on executive compensation. MFS will not support such proposals if MFS determines that a company's executive compensation practices are excessive, considering such factors as the specific market's best practices that seek to maintain appropriate pay-for-performance alignment and to create long-term shareholder value.

Many other items on foreign proxies involve repetitive, non-controversial matters that are mandated by local law. Accordingly, the items that are generally deemed routine and which do not require the exercise of judgment under these guidelines (and therefore voted with management) for foreign issuers include, but are not limited to, the following: (i) receiving financial statements or other reports from the board; (ii) approval of declarations of dividends; (iii) appointment of shareholders to sign board meeting minutes; (iv) discharge of management and supervisory boards; and (v) approval of share repurchase programs (absent any anti-takeover concerns). MFS will evaluate all other items on proxies for foreign companies in the context of the guidelines described above, but will generally vote against an item if there is not sufficient information disclosed in order to make an informed voting decision.

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In accordance with local law or business practices, many foreign companies or custodians prevent the sales of shares that have been voted for a certain period beginning prior to the shareholder meeting and ending on the day following the meeting ( share blocking ). Depending on the country in which a company is domiciled, the blocking period may begin a stated number of days prior or subsequent to the meeting (e.g. one, three or five days) or on a date established by the company. While practices vary, in many countries the block period can be continued for a longer period if the shareholder meeting is adjourned and postponed to a later date. Similarly, practices vary widely as to the ability of a shareholder to have the block restriction lifted early (e.g. in some countries shares generally can be unblocked up to two days prior to the meeting whereas in other countries the removal of the block appears to be discretionary with the issuer's transfer agent). Due to these restrictions, MFS must balance the benefits to its clients of voting proxies against the potentially serious portfolio management consequences of a reduced flexibility to sell the underlying shares at the most advantageous time. For companies in countries with share blocking periods or in markets where some custodians may block shares, the disadvantage of being unable to sell the stock regardless of changing conditions generally outweighs the advantages of voting at the shareholder meeting for routine items. Accordingly, MFS will not vote those proxies in the absence of an unusual, significant vote that outweighs the disadvantage of being unable to sell the stock.

In limited circumstances, other market specific impediments to voting shares may limit our ability to cast votes, including, but not limited to, late delivery of proxy materials, power of attorney and share re-registration requirements, or any other unusual voting requirements. In these limited instances, MFS votes securities on a best efforts basis in the context of the guidelines described above.

### **B. ADMINISTRATIVE PROCEDURES**

#### **1. MFS Proxy Voting Committee**

The administration of these MFS Proxy Voting Policies and Procedures is overseen by the MFS Proxy Voting Committee, which includes senior personnel from the MFS Legal and Global Investment Support Departments. The Proxy Voting Committee does not include individuals whose primary duties relate to client relationship management, marketing, or sales. The MFS Proxy Voting Committee:

- a. Reviews these MFS Proxy Voting Policies and Procedures at least annually and recommends any amendments considered to be necessary or advisable;
- b. Determines whether any potential material conflict of interest exists with respect to instances in which MFS (i) seeks to override these MFS Proxy Voting Policies and Procedures; (ii) votes on ballot items not

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governed by these MFS Proxy Voting Policies and Procedures; (iii) evaluates an excessive executive compensation issue in relation to the election of directors; or (iv) requests a vote recommendation from an MFS portfolio manager or investment analyst (e.g. mergers and acquisitions); and

- c. Considers special proxy issues as they may arise from time to time.

### **2. Potential Conflicts of Interest**

The MFS Proxy Voting Committee is responsible for monitoring potential material conflicts of interest on the part of MFS or its subsidiaries that could arise in connection with the voting of proxies on behalf of MFS clients. Due to the client focus of our investment management business, we believe that the potential for actual material conflict of interest issues is small. Nonetheless, we have developed precautions to assure that all proxy votes are cast in the best long-term economic interest of shareholders. Other MFS internal policies require all MFS employees to avoid actual and potential conflicts of interests between personal activities and MFS client activities. If an employee identifies an actual or potential conflict of interest with respect to any voting decision, then that employee must recuse himself/herself from participating in the voting process. Additionally, with respect to decisions concerning all Non-Standard Votes, as defined below, MFS will review the securities holdings reported by the individuals that participate in such decision to determine whether such person has a direct economic interest in the decision, in which case such person shall not further participate in making the decision. Any significant attempt by an employee of MFS or its subsidiaries to influence MFS voting on a particular proxy matter should also be reported to the MFS Proxy Voting Committee.

In cases where proxies are voted in accordance with these MFS Proxy Voting Policies and Procedures, no material conflict of interest will be deemed to exist. In cases where (i) MFS is considering overriding these MFS Proxy Voting Policies and Procedures, (ii) matters presented for vote are not governed by these MFS Proxy Voting Policies and Procedures, (iii) MFS evaluates an excessive executive compensation issue in relation to the election of directors, or (iv) a vote recommendation is requested from an MFS portfolio manager or investment analyst (e.g. mergers and acquisitions) (collectively, Non-Standard Votes); the MFS Proxy Voting Committee will follow these procedures:

- a. Compare the name of the issuer of such proxy against a list of significant current (i) distributors of MFS Fund shares, and (ii) MFS institutional clients (the MFS Significant Client List);

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- b. If the name of the issuer does not appear on the MFS Significant Client List, then no material conflict of interest will be deemed to exist, and the proxy will be voted as otherwise determined by the MFS Proxy Voting Committee;
- c. If the name of the issuer appears on the MFS Significant Client List, then the MFS Proxy Voting Committee will be apprised of that fact and each member of the MFS Proxy Voting Committee will carefully evaluate the proposed vote in order to ensure that the proxy ultimately is voted in what MFS believes to be the best long-term economic interests of MFS clients, and not in MFS' corporate interests; and
- d. For all potential material conflicts of interest identified under clause (c) above, the MFS Proxy Voting Committee will document: the name of the issuer, the issuer's relationship to MFS, the analysis of the matters submitted for proxy vote, the votes as to be cast and the reasons why the MFS Proxy Voting Committee determined that the votes were cast in the best long-term economic interests of MFS clients, and not in MFS' corporate interests. A copy of the foregoing documentation will be provided to MFS' Conflicts Officer.

The members of the MFS Proxy Voting Committee are responsible for creating and maintaining the MFS Significant Client List, in consultation with MFS' distribution and institutional business units. The MFS Significant Client List will be reviewed and updated periodically, as appropriate.

From time to time, certain MFS Funds (the "top tier fund") may own shares of other MFS Funds (the "underlying fund"). If an underlying fund submits a matter to a shareholder vote, the top tier fund will generally vote its shares in the same proportion as the other shareholders of the underlying fund.

**3. Gathering Proxies**

Most proxies received by MFS and its clients originate at Broadridge Financial Solutions, Inc. ("Broadridge"). Broadridge and other service providers, on behalf of custodians, send proxy related material to the record holders of the shares beneficially owned by MFS clients, usually to the client's proxy voting administrator or, less commonly, to the client itself. This material will include proxy ballots reflecting the shareholdings of Funds and of clients on the record dates for such shareholder meetings, as well as proxy materials with the issuer's explanation of the items to be voted upon.

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MFS, on behalf of itself and the Funds, has entered into an agreement with an independent proxy administration firm, RiskMetrics Group, Inc., (the Proxy Administrator), pursuant to which the Proxy Administrator performs various proxy vote related administrative services, such as vote processing and recordkeeping functions for MFS Funds and institutional client accounts. The Proxy Administrator receives proxy statements and proxy ballots directly or indirectly from various custodians, logs these materials into its database and matches upcoming meetings with MFS Fund and client portfolio holdings, which are input into the Proxy Administrator's system by an MFS holdings data-feed. Through the use of the Proxy Administrator system, ballots and proxy material summaries for all upcoming shareholders' meetings are available on-line to certain MFS employees and members of the MFS Proxy Voting Committee.

**4. Analyzing Proxies**

Proxies are voted in accordance with these MFS Proxy Voting Policies and Procedures. The Proxy Administrator, at the prior direction of MFS, automatically votes all proxy matters that do not require the particular exercise of discretion or judgment with respect to these MFS Proxy Voting Policies and Procedures as determined by the MFS Proxy Voting Committee. With respect to proxy matters that require the particular exercise of discretion or judgment, MFS considers and votes on those proxy matters. MFS also receives research and recommendations from the Proxy Administrator which it may take into account in deciding how to vote. In addition, MFS expects to rely on the Proxy Administrator to identify circumstances in which a board may have approved excessive executive compensation or whether certain environmental or social proposals warrant consideration. Representatives of the MFS Proxy Voting Committee review, as appropriate, votes cast to ensure conformity with these MFS Proxy Voting Policies and Procedures.

As a general matter, portfolio managers and investment analysts have little or no involvement in specific votes taken by MFS. This is designed to promote consistency in the application of MFS voting guidelines, to promote consistency in voting on the same or similar issues (for the same or for multiple issuers) across all client accounts, and to minimize the potential that proxy solicitors, issuers, or third parties might attempt to exert inappropriate influence on the vote. In limited types of votes (e.g. corporate actions, such as mergers and acquisitions, or shareholder proposals relating to environmental and social issues), a representative of MFS Proxy Voting Committee may consult with or seek recommendations from MFS portfolio managers or investment analysts.<sup>2</sup> However, the MFS Proxy Voting Committee would ultimately determine the manner in which all proxies are voted.

<sup>2</sup> From time to time, due to travel schedules and other commitments, an appropriate portfolio manager or research analyst may not be available to provide a recommendation on a merger or acquisition proposal. If such a recommendation cannot be obtained prior to the cut-off date of the shareholder meeting, certain members of the MFS Proxy Voting Committee may determine to abstain from voting.

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As noted above, MFS reserves the right to override the guidelines when such an override is, in MFS' best judgment, consistent with the overall principle of voting proxies in the best long-term economic interests of MFS' clients. Any such override of the guidelines shall be analyzed, documented and reported in accordance with the procedures set forth in these policies.

### **5. Voting Proxies**

In accordance with its contract with MFS, the Proxy Administrator also generates a variety of reports for the MFS Proxy Voting Committee, and makes available on-line various other types of information so that the MFS Proxy Voting Committee may review and monitor the votes cast by the Proxy Administrator on behalf of MFS' clients.

### **6. Securities Lending**

From time to time, the MFS Funds or other pooled investment vehicles sponsored by MFS may participate in a securities lending program. In the event MFS or its agent receives timely notice of a shareholder meeting for a U.S. security, MFS and its agent will attempt to recall any securities on loan before the meeting's record date so that MFS will be entitled to vote these shares. However, there may be instances in which MFS is unable to timely recall securities on loan for a U.S. security, in which cases MFS will not be able to vote these shares. MFS will report to the appropriate board of the MFS Funds those instances in which MFS is not able to timely recall the loaned securities. MFS generally does not recall non-U.S. securities on loan because there may be insufficient advance notice of proxy materials, record dates, or vote cut-off dates to allow MFS to timely recall the shares in certain markets. As a result, non-U.S. securities that are on loan will not generally be voted. If MFS receives timely notice of what MFS determines to be an unusual, significant vote for a non-U.S. security whereas MFS shares are on loan, and determines that voting is in the best long-term economic interest of shareholders, then MFS will attempt to timely recall the loaned shares.

### **7. Engagement**

The MFS Proxy Voting Policies and Procedures are available on [www.mfs.com](http://www.mfs.com) and may be accessed by both MFS' clients and the companies in which MFS' clients invest. From time to time, MFS may determine that it is appropriate and beneficial for representatives from the MFS Proxy Voting Committee to engage in a dialogue with a company or other shareholder regarding certain matters on the company's proxy statement that are of concern to shareholders, including environmental, social and governance matters. A company or shareholder may also seek to engage with representatives of the MFS Proxy Voting Committee in advance of the company's formal proxy solicitation to solicit support for certain contemplated proposals.

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**C. MONITORING SYSTEM**

It is the responsibility of the Proxy Administrator and MFS Proxy Voting Committee to monitor the proxy voting process. When proxy materials for clients are received by the Proxy Administrator, they are input into the Proxy Administrator's system. Through an interface with the portfolio holdings database of MFS, the Proxy Administrator matches a list of all MFS Funds and clients who hold shares of a company's stock and the number of shares held on the record date with the Proxy Administrator's listing of any upcoming shareholder's meeting of that company.

When the Proxy Administrator's system tickler shows that the voting cut-off date of a shareholders' meeting is approaching, a Proxy Administrator representative checks that the vote for MFS Funds and clients holding that security has been recorded in the computer system. If a proxy ballot has not been received from the client's custodian, the Proxy Administrator contacts the custodian requesting that the materials be forwarded immediately. If it is not possible to receive the proxy ballot from the custodian in time to be voted at the meeting, then MFS may instruct the custodian to cast the vote in the manner specified and to mail the proxy directly to the issuer.

**D. RECORDS RETENTION**

MFS will retain copies of these MFS Proxy Voting Policies and Procedures in effect from time to time and will retain all proxy voting reports submitted to the Board of Trustees and Board of Managers of the MFS Funds for the period required by applicable law. Proxy solicitation materials, including electronic versions of the proxy ballots completed by representatives of the MFS Proxy Voting Committee, together with their respective notes and comments, are maintained in an electronic format by the Proxy Administrator and are accessible on-line by the MFS Proxy Voting Committee. All proxy voting materials and supporting documentation, including records generated by the Proxy Administrator's system as to proxies processed, including the dates when proxy ballots were received and submitted, and the votes on each company's proxy issues, are retained as required by applicable law.

**Table of Contents****E. REPORTS****MFS Funds**

MFS publicly discloses the proxy voting records of the MFS Funds on an annual basis, as required by law. MFS will also report the results of its voting to the Board of Trustees and Board of Managers of the MFS Funds. These reports will include: (i) a summary of how votes were cast; (ii) a summary of votes against management's recommendation; (iii) a review of situations where MFS did not vote in accordance with the guidelines and the rationale therefore; (iv) a review of the procedures used by MFS to identify material conflicts of interest and any matters identified as a material conflict of interest; (v) a review of these policies and the guidelines; (vi) a report and impact assessment of instances in which the recall of loaned securities of a U.S. issuer was unsuccessful; and (vii) as necessary or appropriate, any proposed modifications thereto to reflect new developments in corporate governance and other issues. Based on these reviews, the Trustees and Managers of the MFS Funds will consider possible modifications to these policies to the extent necessary or advisable.

**All MFS Advisory Clients**

At any time, a report can be printed by MFS for each client who has requested that MFS furnish a record of votes cast. The report specifies the proxy issues which have been voted for the client during the year and the position taken with respect to each issue and, upon request, may identify situations where MFS did not vote in accordance with the MFS Proxy Voting Policies and Procedures.

Except as described above, MFS generally will not divulge actual voting practices to any party other than the client or its representatives (unless required by applicable law) because we consider that information to be confidential and proprietary to the client. However, as noted above, MFS may determine that it is appropriate and beneficial to engage in a dialogue with a company regarding certain matters. During such dialogue with the company, MFS may disclose the vote it intends to cast in order to potentially effect positive change at a company in regards to environmental, social or governance issues.

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

**General.** Information regarding the portfolio manager(s) of the MFS Special Value Trust (the Fund) is set forth below.

| <b>Portfolio Manager</b> | <b>Primary Role</b> | <b>Since</b> | <b>Title and Five Year History</b>                                            |
|--------------------------|---------------------|--------------|-------------------------------------------------------------------------------|
| John F. Addeo            | Portfolio Manager   | 2002         | Investment Officer of MFS; employed in the investment area of MFS since 1998. |
| David P. Cole            | Portfolio Manager   | 2006         | Investment Officer of MFS; employed in the investment area of MFS since 2004. |
| Brooks A. Taylor         | Portfolio Manager   | 2009         | Investment Officer of MFS; employed in the investment area of MFS since 1996. |

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**Compensation.** Portfolio manager compensation is reviewed annually. As of December 31, 2009, portfolio manager total cash compensation is a combination of base salary and performance bonus:

*Base Salary* Base salary represents a smaller percentage of portfolio manager total cash compensation than performance bonus.

*Performance Bonus* Generally, the performance bonus represents more than a majority of portfolio manager total cash compensation.

The performance bonus is based on a combination of quantitative and qualitative factors, generally with more weight given to the former and less weight given to the latter.

The quantitative portion is based on the pre-tax performance of assets managed by the portfolio manager over one-, three-, and five-year periods relative to peer group universes and/or indices ( benchmarks ). As of December 31, 2009, the following benchmarks were used:

| <b>Portfolio Manager</b> | <b>Benchmark(s)</b>                                                                                                                                                                                                                                                                                           |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| John F. Addeo            | Lipper High Current Yield Funds<br>Barclays Capital Corporate High Yield Index<br>Morningstar Dollar High Yield Bond Funds<br>Morningstar Euro High Yield Bond Funds<br>Lipper Variable Annuity High Current Yield Funds<br><br>BofA Merrill Lynch European Currency High Yield Constrained Index 100% Hedged |
| David P. Cole            | Lipper High Current Yield Funds<br>Barclays Capital Corporate High Yield Index<br>Morningstar Dollar High Yield Bond Funds<br>Morningstar Euro High Yield Bond Funds<br>Lipper Variable Annuity High Current Yield Funds<br><br>BofA Merrill Lynch European Currency High Yield Constrained Index 100% Hedged |
| Brooks A. Taylor         | Lipper Variable Annuity Mixed-Asset Target Allocation Moderate Funds<br>Lipper Large-Cap Value Funds<br>Standard & Poor's 500 Stock Index<br>Russell 1000 Value Index<br>Russell Mid Cap Value Index<br><br>Lipper Mid Cap Value Funds                                                                        |

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Additional or different benchmarks, including versions of indices and custom indices may also be used. Primary weight is given to portfolio performance over a three-year time period with lesser consideration given to portfolio performance over one-year and five-year periods (adjusted as appropriate if the portfolio manager has served for less than five years).

The qualitative portion is based on the results of an annual internal peer review process (conducted by other portfolio managers, analysts, and traders) and management's assessment of overall portfolio manager contributions to investor relations and the investment process (distinct from fund and other account performance).

Portfolio managers also typically benefit from the opportunity to participate in the MFS Equity Plan. Equity interests and/or options to acquire equity interests in MFS or its parent company are awarded by management, on a discretionary basis, taking into account tenure at MFS, contribution to the investment process, and other factors.

Finally, portfolio managers also participate in benefit plans (including a defined contribution plan and health and other insurance plans) and programs available generally to other employees of MFS. The percentage such benefits represent of any portfolio manager's compensation depends upon the length of the individual's tenure at MFS and salary level, as well as other factors.

**Ownership of Fund Shares.** The following table shows the dollar range of equity securities of the Fund beneficially owned by the Fund's portfolio manager(s) as of the fund's fiscal year ended October 31, 2010. The following dollar ranges apply:

N. None

A. \$1 - \$10,000

B. \$10,001 - \$50,000

C. \$50,001 - \$100,000

D. \$100,001 - \$500,000

E. \$500,001 - \$1,000,000

F. Over \$1,000,000

| Name of Portfolio Manager | Dollar Range of Equity Securities in Fund |
|---------------------------|-------------------------------------------|
| John F. Addeo             | N                                         |
| David P. Cole             | N                                         |
| Brooks A. Taylor          | N                                         |

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**Other Accounts.** In addition to the Fund, the Fund's portfolio manager is named as a portfolio manager of certain other accounts managed or subadvised by MFS or an affiliate, the number and assets of which, as of fiscal year ended October 31, 2010 were as follows:

| Name             | Registered Investment Companies |                | Other Pooled Investment Vehicles |                 | Other Accounts     |              |
|------------------|---------------------------------|----------------|----------------------------------|-----------------|--------------------|--------------|
|                  | Number of Accounts*             | Total Assets*  | Number of Accounts               | Total Assets    | Number of Accounts | Total Assets |
| John F. Addeo    | 13                              | \$4.3 billion  | 5                                | \$1.3 billion   | 0                  | N/A          |
| David P. Cole    | 10                              | \$3.9 billion  | 2                                | \$661.4 million | 0                  | N/A          |
| Brooks A. Taylor | 10                              | \$14.8 billion | 0                                | N/A             | 0                  | N/A          |

\* Includes the Fund.

Advisory fees are not based upon performance of any of the accounts identified in the table above.

## Potential Conflicts of Interest.

The Adviser seeks to identify potential conflicts of interest resulting from a portfolio manager's management of both the Fund and other accounts, and has adopted policies and procedures designed to address such potential conflicts.

The management of multiple funds and accounts (including proprietary accounts) gives rise to potential conflicts of interest if the funds and accounts have different objectives and strategies, benchmarks, time horizons and fees as a portfolio manager must allocate his or her time and investment ideas across multiple funds and accounts. In certain instances there are securities which are suitable for the Fund's portfolio as well as for accounts of the Adviser or its subsidiaries with similar investment objectives. A Fund's trade allocation policies may give rise to conflicts of interest if the Fund's orders do not get fully executed or are delayed in getting executed due to being aggregated with those of other accounts of the Adviser or its subsidiaries. A portfolio manager may execute transactions for another fund or account that may adversely affect the value of the Fund's investments. Investments selected for funds or accounts other than the Fund may outperform investments selected for the Fund.

When two or more clients are simultaneously engaged in the purchase or sale of the same security, the securities are allocated among clients in a manner believed by the Adviser to be fair and equitable to each. It is recognized that in some cases this system could have a detrimental effect on the price or volume of the security as far as the Fund is concerned. In most cases, however, the Adviser believes that the Fund's ability to participate in volume transactions will produce better executions for the Fund.

The Adviser and/or a portfolio manager may have a financial incentive to allocate favorable or limited opportunity investments or structure the timing of investments to favor accounts other than the Fund, for instance, those that pay a higher advisory fee and/or have a performance adjustment.

**Table of Contents****ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.****MFS Special Value Trust**

| <b>Period</b>     | <b>(a) Total number of Shares Purchased</b> | <b>(b) Average Price Paid per Share</b> | <b>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b> | <b>(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs</b> |
|-------------------|---------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| 11/01/09-11/30/09 | 0                                           | N/A                                     | 0                                                                                           | 654,164                                                                                                                 |
| 12/01/09-12/31/09 | 0                                           | N/A                                     | 0                                                                                           | 654,164                                                                                                                 |
| 1/01/10-1/31/10   | 0                                           | N/A                                     | 0                                                                                           | 654,164                                                                                                                 |
| 2/01/10-2/28/10   | 0                                           | N/A                                     | 0                                                                                           | 654,164                                                                                                                 |
| 3/01/10-3/31/10   | 0                                           | N/A                                     | 0                                                                                           | 680,499                                                                                                                 |
| 4/01/10-4/30/10   | 0                                           | N/A                                     | 0                                                                                           | 680,499                                                                                                                 |
| 5/01/10-5/31/10   | 0                                           | N/A                                     | 0                                                                                           | 680,499                                                                                                                 |
| 6/01/10-6/30/10   | 0                                           | N/A                                     | 0                                                                                           | 680,499                                                                                                                 |
| 7/01/10-7/31/10   | 0                                           | N/A                                     | 0                                                                                           | 680,499                                                                                                                 |
| 8/01/10-8/31/10   | 0                                           | N/A                                     | 0                                                                                           | 680,499                                                                                                                 |
| 9/01/10-9/30/10   | 0                                           | N/A                                     | 0                                                                                           | 680,499                                                                                                                 |
| 10/01/10-10/31/10 | 0                                           | N/A                                     | 0                                                                                           | 680,499                                                                                                                 |
| <b>Total</b>      | <b>0</b>                                    |                                         | <b>0</b>                                                                                    |                                                                                                                         |

Note: The Board of Trustees approves procedures to repurchase shares annually. The notification to shareholders of the program is part of the semi-annual and annual reports sent to shareholders. These annual programs begin on March 1<sup>st</sup> of each year. The programs conform to the conditions of Rule 10b-18 of the securities Exchange Act of 1934 and limit the aggregate number of shares that may be purchased in each annual period (March 1 through the following February 28) to 10% of the Registrant's outstanding shares as of the first day of the plan year (March 1). The aggregate number of shares available for purchase for the March 1, 2010 plan year is 680,499.

**ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

There were no material changes to the procedures by which shareholders may send recommendations to the Board for nominees to the Registrant's Board since the Registrant last provided disclosure as to such procedures in response to the requirements of Item 407 (c)(2)(iv) of Regulation S-K or this Item.

**ITEM 11. CONTROLS AND PROCEDURES.**

- (a) Based upon their evaluation of the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "Act")) as conducted within 90 days of the filing date of this Form N-CSR, the registrant's

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principal financial officer and principal executive officer have concluded that those disclosure controls and procedures provide reasonable assurance that the material information required to be disclosed by the registrant on this report is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

- (b) There were no changes in the registrant's internal controls over financial reporting (as defined in Rule 30a-3(d) under the Act) that occurred during the second fiscal quarter covered by the report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

### **ITEM 12. EXHIBITS.**

(a) File the exhibits listed below as part of this form. Letter or number the exhibits in the sequence indicated.

(1) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit: Code of Ethics attached hereto.

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

(3) Any written solicitation to purchase securities under Rule 23c-1 under the Act sent or given during the period covered by the report by or on behalf of the Registrant to 10 or more persons. Not applicable.

(b) If the report is filed under Section 13(a) or 15(d) of the Exchange Act, provide the certifications required by Rule 30a-2(b) under the Act (17 CFR 270.30a-2(b)), Rule 13a-14(b) or Rule 15d-14(b) under the Exchange Act (17 CFR 240.13a-14(b) or 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) as an exhibit. A certification furnished pursuant to this paragraph will not be deemed "filed" for the purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference: Attached hereto.

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**Notice**

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

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SIGNATURES

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

Registrant MFS SPECIAL VALUE TRUST

By (Signature and Title)\* MARIA F. DIORIODWYER  
Maria F. DiOrioDwyer, President

Date: December 16, 2010

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

By (Signature and Title)\* MARIA F. DIORIODWYER  
Maria F. DiOrioDwyer, President  
(Principal Executive Officer)

Date: December 16, 2010

By (Signature and Title)\* JOHN M. CORCORAN  
John M. Corcoran, Treasurer  
(Principal Financial Officer  
and Accounting Officer)

Date: December 16, 2010

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