

MFS SPECIAL VALUE TRUST  
Form N-CSRS  
June 28, 2010  
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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: April 30, 2010

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**ITEM 1. REPORTS TO STOCKHOLDERS.**

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Semiannual report

# MFS® Special Value Trust

4/30/10

MFV-SEM

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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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|  | BACK COVER |

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

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## LETTER FROM THE CEO

Dear Shareholders:

After having suffered their biggest declines since the Great Depression, most global markets experienced an impressive resurgence during the latter months of 2009 and the first quarter of 2010. The global economy was able to reap the benefits of two major trends. The first of these was the massive efforts of governments and central banks to increase liquidity in the financial system as they sought to prevent the credit crisis from further affecting the banking system. The second was the move by companies around the world to cut costs and operations to prepare for rapidly changing market conditions. We believe that these moves not only shortened the length of the downturn but also set the stage for recovery.

Even with the significant market gains of 2009 and the early part of 2010, the recovery is unrolling at a moderate pace, with rebounds in the manufacturing sector and corporate America leading the way. Central bankers are proceeding with caution and have held benchmark interest rates unchanged as they debate the best way to withdraw stimulus measures without disrupting the fragile growth process.

While hurdles remain, we believe that the global economy is on the road to recovery. As always, we continue to be mindful of the many challenges faced at the individual, national, and international levels. It is at 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 advisors to identify and research investment opportunities. At MFS®, we take particular pride in how well mutual funds can help investors by providing the diversification that is important in any type of market climate.

Respectfully,

Robert J. Manning

Chief Executive Officer and Chief Investment Officer

MFS Investment Management®

June 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.

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

|   |      |
|---|------|
| Ford Motor Credit Company, 12.0%, 2015                | 1.5% |
| Johnson & Johnson                                     | 1.1% |
| Apache Corp.  | 1.0% |
| Millar Western Forest Products Ltd., 7.75%, 2013      | 0.9% |
| MetLife, Inc.   | 0.9% |
| Procter & Gamble Co.                                  | 0.9% |
| Noble Energy, Inc.                                    | 0.9% |
| Texas Competitive Electric Holdings LLC, 10.25%, 2015 | 0.9% |
| Lockheed Martin Corp.                                 | 0.9% |
| GMAC LLC, 8.0%, 2013                                  | 0.8% |

**Fixed income sectors (i)**

|                                       |       |
|---------------------------------------|-------|
| High Yield Corporates                 | 63.1% |
| Emerging Market Bonds                 | 3.1%  |
| Floating Rate Loans                   | 2.1%  |
| High Grade Corporates                 | 1.7%  |
| Commercial Mortgage-Backed Securities | 1.5%  |
| Collateralized Debt Obligations (o)   | 0.0%  |

**Equity sectors**

|                             |      |
|-----------------------------|------|
| Financial Services          | 4.3% |
| Energy                      | 3.4% |
| Health Care                 | 2.4% |
| Utilities & Communications  | 2.4% |
| Consumer Staples            | 2.3% |
| Basic Materials             | 2.1% |
| Leisure                     | 1.9% |
| Retailing                   | 1.9% |
| Industrial Goods & Services | 1.7% |
| Autos & Housing             | 1.2% |
| Technology                  | 1.0% |
| Transportation              | 0.5% |

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

|        |       |
|--------|-------|
| AAA    | 0.2%  |
| AA     | 0.1%  |
| A      | 0.2%  |
| BBB    | 2.5%  |
| BB     | 12.1% |
| B      | 30.2% |
| CCC    | 22.4% |
| CC     | 0.4%  |
| C      | 0.3%  |
| D      | 0.7%  |
| Equity | 25.1% |
| Other  | 5.8%  |





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*Portfolio Composition continued*

(a) Included in the rating categories are: (1) debt securities and fixed income structured products which have long-term public ratings; (2) U.S. Government Securities (all of which are given AAA ratings); and (3) credit default swaps, if applicable, for which the underlying security has a long term public rating. U.S. Government Securities consist of U.S. Treasury securities, and certain securities issued by certain U.S. government agencies or U.S. government-sponsored entities. All rated securities are assigned a rating in accordance with the following ratings 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. Any equity securities are listed separately. The Other category includes cash, other assets, liabilities (including any derivative offsets), short-term and unrated debt securities. Ratings from Moody's (e.g., Aaa) are shown in the S&P and Fitch scale (e.g. AAA). All ratings are subject to change.

(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.

(o) Less than 0.1%.

Percentages are based on net assets as of 4/30/10, unless otherwise noted.

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

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## MARKET ENVIRONMENT

After having suffered through one of the largest and most concentrated downturns since the 1930s, most asset markets staged a remarkable rebound during 2009 and early 2010. This recovery in global activity, which covers this reporting period, has been led importantly by emerging Asian economies, but broadening to include most of the global economy to varying degrees. Primary drivers of the recovery 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 worst of the credit crisis, policy makers globally loosened monetary and fiscal policy on a massive scale. Having reached their lower bound on policy rates prior to the beginning of the reporting period, several central banks were implementing quantitative easing as a means to further loosen monetary policy to offset the continuing fall in global economic activity. However, by the beginning of the period, there were ever-broadening signs that the global macroeconomic deterioration had passed, which caused the subsequent rise in asset valuations. As most asset prices rebounded during the period and the demand for liquidity waned, the debate concerning the existence of asset bubbles and the need for monetary exit strategies had begun, creating added uncertainty regarding the forward path of policy rates. Nonetheless, risky-asset valuation generally hit secular highs by the end of the period.

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

## **Investment Objective**

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

## **Principal Investment Strategies**

MFS 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 up to 10% of the fund's average monthly net asset value.

MFS may invest the fund's assets in mortgage dollar rolls.

MFS 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.

MFS uses a bottom-up investment approach in buying and selling investments for the fund. Investments are selected primarily based on fundamental analysis of issuers or instruments in light of 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. Quantitative analysis of the structure of a debt instrument and its features may also be considered. Factors considered for equity securities may include analysis of earnings, cash flows, competitive position, and management ability. Quantitative analysis of these and other factors 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 portfolio's yield and share prices change daily based on the credit quality of its investments and changes in interest rates. In general, the value of debt securities will decline when interest rates rise and will increase when interest rates fall. Debt securities with longer maturity dates will generally be subject to greater price fluctuations than those with shorter maturities. Mortgage securities are subject to prepayment risk which can offer less potential for gains in a declining interest rate environment and greater potential for loss in a rising interest rate environment. Derivatives can be highly volatile and involve risks in addition to those of the underlying indicators in whose value the derivative is based. Gains or losses from derivatives can be substantially greater than the derivatives' original cost. Lower quality debt securities involve substantially greater risk of default and their value can decline significantly over time. Stock markets are volatile and can decline due to adverse issuer, market, industry, political, regulatory or economic conditions. The value of the portfolio's equity investments will fluctuate in response to many factors including company specific factors as well as general market, economic, political and regulatory conditions. Foreign investments can be more volatile than U.S. investments. Changes in currency exchange rates can affect the U.S. dollar rate of foreign currency investments and investments denominated in foreign currency. When you sell your shares, they may be worth more or less than the amount you paid for them. 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 common 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. High Yield Analyst at Franklin Templeton Investments from 1999 to 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.   |

## OTHER NOTES

The fund's shares may trade at a discount or premium to net asset value. Shareholders do not have the right to cause the fund to repurchase their shares at net asset value. When fund shares trade at a premium, buyers pay more than the net asset value underlying fund shares, and shares purchased at a premium would receive less than the amount paid for them in the event of the fund's liquidation. As a result, the total return that is calculated based on the net asset value and New York Stock Exchange price can be different.

The fund's monthly distributions may include a return of capital to shareholders to the extent that 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. In addition, distributions of current year long-term gains may be recharacterized as ordinary income. 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 daily net assets.

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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.

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

4/30/10 (unaudited)

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

| <b>Bonds - 67.7%</b>   |                   |                   |
|--|-------------------|-------------------|
| <b>Issuer</b>  | <b>Shares/Par</b> | <b>Value (\$)</b> |
| <b>Aerospace - 1.0%</b>  |                   |                   |
| BE Aerospace, Inc., 8.5%, 2018   | \$ 90,000         | \$ 96,300         |
| Bombardier, Inc., 7.5%, 2018 (n)                                       | 105,000           | 111,300           |
| Hawker Beechcraft Acquisition Co. LLC, 8.5%, 2015                      | 203,000           | 178,133           |
| Oshkosh Corp., 8.25%, 2017 (n)   | 15,000            | 15,788            |
| Oshkosh Corp., 8.5%, 2020 (n)  | 55,000            | 57,888            |
| Spirit AeroSystems Holdings, Inc., 7.5%, 2017 (n)                      | 45,000            | 46,013            |
|  |                   | \$ 505,422        |
| <b>Airlines - 0.8%</b>   |                   |                   |
| American Airlines Pass-Through Trust, 7.377%, 2019                     | \$ 75,158         | \$ 63,885         |
| Continental Airlines, Inc., 7.339%, 2014                               | 284,994           | 277,156           |
| Delta Air Lines, Inc., 7.711%, 2013                                    | 50,000            | 50,000            |
|  |                   | \$ 391,041        |
| <b>Apparel Manufacturers - 0.4%</b>                                    |                   |                   |
| Hanesbrands, Inc., 8%, 2016  | \$ 95,000         | \$ 99,275         |
| Levi Strauss & Co., 9.75%, 2015  | 80,000            | 84,100            |
| Propex Fabrics, Inc., 10%, 2012 (d)                                    | 395,000           | 395               |
|  |                   | \$ 183,770        |
| <b>Asset Backed &amp; Securitized - 1.5%</b>                           |                   |                   |
| Anthracite Ltd., CDO, 6%, 2037 (z)                                     | \$450,000         | \$ 22,500         |
| Banc of America Commercial Mortgage, Inc., FRN, 6.001%, 2051           | 77,897            | 65,083            |
| Banc of America Commercial Mortgage, Inc., FRN, 6.416%, 2051 (z)       | 328,951           | 90,868            |
| Citigroup Commercial Mortgage Trust, FRN, 5.888%, 2049                 | 220,000           | 45,342            |
| Credit Suisse Mortgage Capital Certificate, 5.343%, 2039               | 72,952            | 61,075            |
| Falcon Franchise Loan LLC, FRN, 3.968%, 2025 (i)(z)                    | 399,852           | 14,075            |
| JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 5.936%, 2049 | 142,189           | 49,502            |
| JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 5.936%, 2049 | 217,049           | 68,005            |
| JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 5.936%, 2049 | 595,809           | 169,541           |
| JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 6.26%, 2051  | 95,000            | 32,557            |
| Merrill Lynch Mortgage Trust, FRN, 6.019%, 2050                        | 95,000            | 28,666            |
| Merrill Lynch/Countrywide Commercial Mortgage Trust, FRN, 5.902%, 2050 | 64,000            | 49,794            |

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

| Issuer  | Shares/Par | Value (\$)   |
|---|------------|--------------|
| <b>Bonds - continued</b>  |            |              |
| <b>Asset Backed &amp; Securitized - continued</b>                 |            |              |
| Morgan Stanley Capital I, Inc., FRN, 1.258%, 2039 (i)(z)          | \$600,944  | \$ 19,531    |
| Preferred Term Securities XII Ltd., CDO, 0%, 2033 (a)(e)(z)       | 225,000    | 45           |
| 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, 5.882%, 2047        | 142,497    | 28,619       |
| Wachovia Bank Commercial Mortgage Trust, FRN, 5.942%, 2047        | 89,972     | 15,716       |
|   |            | \$ 760,968   |
| <b>Automotive - 2.2%</b>  |            |              |
| Allison Transmission, Inc., 11%, 2015 (n)                         | \$145,000  | \$ 156,600   |
| Ford Motor Credit Co. LLC, 12%, 2015                              | 595,000    | 719,923      |
| General Motors Corp., 7.125%, 2013 (d)                            | 235,000    | 86,950       |
| Goodyear Tire & Rubber Co., 10.5%, 2016                           | 105,000    | 116,944      |
|   |            | \$ 1,080,417 |
| <b>Basic Industry - 0.2%</b>                                      |            |              |
| TriMas Corp., 9.75%, 2017 (n)                                     | \$100,000  | \$ 103,125   |
| <b>Broadcasting - 4.8%</b>  |            |              |
| Allbritton Communications Co., 8%, 2018 (z)                       | \$ 55,000  | \$ 55,000    |
| Bonten Media Acquisition Co., 9%, 2015 (p)(z)                     | 181,478    | 79,994       |
| Gray Television, Inc., 10.5%, 2015 (z)                            | 35,000     | 35,131       |
| Intelsat Jackson Holdings Ltd., 9.5%, 2016                        | 260,000    | 276,250      |
| Lamar Media Corp., 6.625%, 2015                                   | 170,000    | 167,450      |
| LBI Media Holdings, Inc., 11%, 2013                               | 425,000    | 348,500      |
| LBI Media, Inc., 8.5%, 2017 (z)                                   | 90,000     | 77,513       |
| LIN TV Corp., 6.5%, 2013  | 160,000    | 158,400      |
| Local TV Finance LLC, 9.25%, 2015 (p)(z)                          | 231,525    | 162,325      |
| Newport Television LLC, 13%, 2017 (n)(p)                          | 213,862    | 184,114      |
| Nexstar Broadcasting Group, Inc., 0.5% to 2011, 7% to 2014 (n)(p) | 209,947    | 192,830      |
| Nexstar Broadcasting Group, Inc., 7%, 2014                        | 69,000     | 63,480       |
| Salem Communications Corp., 9.625%, 2016                          | 35,000     | 37,450       |
| Sinclair Broadcast Group, Inc., 9.25%, 2017 (n)                   | 55,000     | 58,438       |
| SIRIUS XM Radio, Inc., 8.75%, 2015 (n)                            | 105,000    | 107,100      |
| Univision Communications, Inc., 12%, 2014 (n)                     | 65,000     | 71,825       |
| Univision Communications, Inc., 9.75%, 2015 (n)(p)                | 315,559    | 281,768      |
| Young Broadcasting, Inc., 8.75%, 2014 (d)                         | 405,000    | 932          |
|   |            | \$ 2,358,500 |
| <b>Brokerage &amp; Asset Managers - 0.7%</b>                      |            |              |
| E*TRADE Financial Corp., 7.875%, 2015                             | \$ 40,000  | \$ 38,650    |
| Janus Capital Group, Inc., 6.95%, 2017                            | 205,000    | 208,844      |



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

| Issuer   | Shares/Par | Value (\$) |
|--|------------|------------|
| <b>Bonds - continued</b>                                 |            |            |
| <b>Brokerage &amp; Asset Managers - continued</b>        |            |            |
| Nuveen Investments, Inc., 10.5%, 2015                    | \$ 110,000 | \$ 110,000 |
|  |            | \$ 357,494 |
| <b>Building - 1.9%</b>                                   |            |            |
| Associated Materials, Inc., 11.25%, 2014                 | \$ 230,000 | \$ 237,475 |
| Building Materials Holding Corp., 7%, 2020 (n)           | 70,000     | 71,050     |
| CEMEX Finance Europe B.V., 9.625%, 2017 (n)              | EUR 60,000 | 82,483     |
| Goodman Global, Inc., 13.5%, 2016                        | \$ 90,000  | 100,913    |
| Masco Corp., 7.125%, 2020                                | 50,000     | 51,291     |
| Nortek, Inc., 11%, 2013                                  | 205,844    | 222,312    |
| Ply Gem Industries, Inc., 11.75%, 2013                   | 70,000     | 74,463     |
| Ply Gem Industries, Inc., 13.125%, 2014 (n)              | 80,000     | 83,200     |
|  |            | \$ 923,187 |
| <b>Business Services - 1.8%</b>                          |            |            |
| First Data Corp., 9.875%, 2015                           | \$ 285,000 | \$ 260,775 |
| First Data Corp., 11.25%, 2016                           | 80,000     | 66,800     |
| Iron Mountain, Inc., 6.625%, 2016                        | 140,000    | 140,175    |
| SunGard Data Systems, Inc., 9.125%, 2013                 | 45,000     | 46,181     |
| SunGard Data Systems, Inc., 10.25%, 2015                 | 290,000    | 305,588    |
| Terremark Worldwide, Inc., 12.25%, 2017 (n)              | 55,000     | 63,250     |
|  |            | \$ 882,769 |
| <b>Cable TV - 2.0%</b>                                   |            |            |
| Cablevision Systems Corp., 8.625%, 2017 (n)              | \$ 40,000  | \$ 42,200  |
| Charter Communications Holding Co. LLC, 7.875%, 2018 (z) | 25,000     | 25,438     |
| Charter Communications Holding Co. LLC, 8.125%, 2020 (z) | 15,000     | 15,338     |
| Charter Communications, Inc., 10.875%, 2014 (n)          | 70,000     | 79,100     |
| CSC Holdings, Inc., 8.5%, 2014 (n)                       | 50,000     | 53,625     |
| CSC Holdings, Inc., 8.5%, 2015 (n)                       | 165,000    | 175,725    |
| Mediacom LLC, 9.125%, 2019 (n)                           | 105,000    | 108,150    |
| Videotron LTEE, 6.875%, 2014                             | 45,000     | 45,563     |
| Virgin Media Finance PLC, 9.125%, 2016                   | 303,000    | 323,453    |
| Virgin Media Finance PLC, 9.5%, 2016                     | 100,000    | 109,750    |
|  |            | \$ 978,342 |
| <b>Chemicals - 2.2%</b>                                  |            |            |
| Ashland, Inc., 9.125%, 2017 (n)                          | \$ 140,000 | \$ 159,600 |
| Hexion Finance Escrow LLC, 8.875%, 2018 (n)              | 120,000    | 118,050    |
| Hexion Specialty Chemicals, Inc., 9.75%, 2014            | 100,000    | 103,250    |
| Lumena Resources Corp., 12%, 2014 (n)                    | 250,000    | 238,570    |
| Lyondell Chemical Co., 11%, 2018                         | 77,304     | 84,519     |
| Momentive Performance Materials, Inc., 12.5%, 2014 (n)   | 163,000    | 183,375    |

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

| Issuer   | Shares/Par | Value (\$)   |
|--|------------|--------------|
| <b>Bonds - continued</b>                           |            |              |
| <b>Chemicals - continued</b>                       |            |              |
| Momentive Performance Materials, Inc., 11.5%, 2016 | \$ 92,000  | \$ 89,700    |
| Solutia, Inc., 7.875%, 2020                        | 105,000    | 108,413      |
|  |            | \$ 1,085,477 |
| <b>Computer Software - Systems - 0.2%</b>          |            |              |
| DuPont Fabros Technology, Inc., 8.5%, 2017 (n)     | \$ 95,000  | \$ 98,563    |
| <b>Consumer Products - 0.8%</b>                    |            |              |
| ACCO Brands Corp., 10.625%, 2015 (n)               | \$ 15,000  | \$ 16,613    |
| ACCO Brands Corp., 7.625%, 2015                    | 60,000     | 57,150       |
| Central Garden & Pet Co., 8.25%, 2018              | 75,000     | 76,688       |
| Easton-Bell Sports, Inc., 9.75%, 2016 (n)          | 55,000     | 58,575       |
| Libbey Glass, Inc., 10%, 2015 (n)                  | 85,000     | 89,781       |
| Visant Holding Corp., 8.75%, 2013                  | 95,000     | 96,900       |
|  |            | \$ 395,707   |
| <b>Consumer Services - 1.1%</b>                    |            |              |
| KAR Holdings, Inc., 10%, 2015                      | \$215,000  | \$ 227,900   |
| KAR Holdings, Inc., FRN, 4.248%, 2014              | 75,000     | 70,219       |
| Realogy Corp., 10.5%, 2014                         | 40,000     | 37,300       |
| Ticketmaster Entertainment, Inc., 10.75%, 2016     | 175,000    | 196,875      |
|  |            | \$ 532,294   |
| <b>Containers - 0.9%</b>                           |            |              |
| Graham Packaging Holdings Co., 9.875%, 2014        | \$305,000  | \$ 317,963   |
| Owens-Illinois, Inc., 7.375%, 2016                 | 130,000    | 137,800      |
|  |            | \$ 455,763   |
| <b>Defense Electronics - 0.0%</b>                  |            |              |
| ManTech International Corp., 7.25%, 2018 (z)       | \$ 20,000  | \$ 20,425    |
| <b>Electronics - 0.5%</b>                          |            |              |
| Freescale Semiconductor, Inc., 8.875%, 2014        | \$105,000  | \$ 103,425   |
| Freescale Semiconductor, Inc., 10.125%, 2018 (n)   | 50,000     | 54,000       |
| Freescale Semiconductor, Inc., 9.25%, 2018 (z)     | 70,000     | 72,800       |
|  |            | \$ 230,225   |
| <b>Emerging Market Quasi-Sovereign - 0.5%</b>      |            |              |
| OAO Gazprom, 9.625%, 2013                          | \$ 60,000  | \$ 68,025    |
| Petroleos de Venezuela S.A., 5.25%, 2017           | 250,000    | 162,188      |
|  |            | \$ 230,213   |
| <b>Emerging Market Sovereign - 0.3%</b>            |            |              |
| Republic of Argentina, 7%, 2011                    | \$167,000  | \$ 163,962   |

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

| Issuer   | Shares/Par | Value (\$)   |
|--|------------|--------------|
| <b>Bonds - continued</b>                           |            |              |
| Energy - Independent - 3.4%                        |            |              |
| Berry Petroleum Co., 10.25%, 2014                  | \$ 85,000  | \$ 94,138    |
| Chaparral Energy, Inc., 8.875%, 2017               | 185,000    | 180,375      |
| Chesapeake Energy Corp., 9.5%, 2015                | 25,000     | 27,406       |
| Forest Oil Corp., 8.5%, 2014                       | 110,000    | 116,875      |
| Hilcorp Energy I LP, 9%, 2016 (n)                  | 160,000    | 164,800      |
| McMoRan Exploration Co., 11.875%, 2014             | 145,000    | 154,788      |
| Newfield Exploration Co., 6.625%, 2016             | 50,000     | 50,625       |
| OPTI Canada, Inc., 8.25%, 2014                     | 225,000    | 216,000      |
| Penn Virginia Corp., 10.375%, 2016                 | 160,000    | 175,200      |
| Petrohawk Energy Corp., 10.5%, 2014                | 60,000     | 66,300       |
| Pioneer Natural Resources Co., 6.875%, 2018        | 105,000    | 108,338      |
| Pioneer Natural Resources Co., 7.5%, 2020          | 105,000    | 111,588      |
| SandRidge Energy, Inc., 8%, 2018 (n)               | 100,000    | 98,250       |
| Southwestern Energy Co., 7.5%, 2018                | 105,000    | 114,713      |
|  |            | \$ 1,679,396 |
| Energy - Integrated - 0.2%                         |            |              |
| CCL Finance Ltd., 9.5%, 2014 (n)                   | \$105,000  | \$ 120,225   |
| Entertainment - 0.9%                               |            |              |
| AMC Entertainment, Inc., 11%, 2016                 | \$155,000  | \$ 165,850   |
| AMC Entertainment, Inc., 8.75%, 2019               | 200,000    | 212,000      |
| Cinemark USA, Inc., 8.625%, 2019                   | 75,000     | 79,500       |
|  |            | \$ 457,350   |
| Financial Institutions - 3.3%                      |            |              |
| CIT Group, Inc., 7%, 2014                          | \$130,000  | \$ 125,450   |
| CIT Group, Inc., 7%, 2017                          | 370,000    | 351,963      |
| Credit Acceptance Corp., 9.125%, 2017 (z)          | 60,000     | 62,700       |
| GMAC, Inc., 7%, 2012                               | 40,000     | 40,650       |
| GMAC, Inc., 6.75%, 2014                            | 220,000    | 219,450      |
| GMAC, Inc., 8%, 2031                               | 414,000    | 403,650      |
| International Lease Finance Corp., 5.625%, 2013    | 330,000    | 306,422      |
| International Lease Finance Corp., 8.75%, 2017 (n) | 25,000     | 24,813       |
| Nationstar Mortgage LLC, 10.875%, 2015 (z)         | 80,000     | 77,200       |
|  |            | \$ 1,612,298 |
| Food & Beverages - 1.0%                            |            |              |
| ARAMARK Corp., 8.5%, 2015                          | \$105,000  | \$ 107,756   |
| B&G Foods, Inc., 7.625%, 2018                      | 45,000     | 46,238       |
| Constellation Brands, Inc., 7.25%, 2016            | 55,000     | 56,444       |
| Pinnacle Foods Finance LLC, 9.25%, 2015            | 130,000    | 135,200      |
| Smithfield Foods, Inc., 7.75%, 2017                | 55,000     | 54,381       |

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

| Issuer  | Shares/Par | Value (\$)   |
|---|------------|--------------|
| Bonds - continued   |            |              |
| Food & Beverages - continued                              |            |              |
| TreeHouse Foods, Inc., 7.75%, 2018                        | \$ 80,000  | \$ 83,400    |
|   |            | \$ 483,419   |
| Forest & Paper Products - 2.5%                            |            |              |
| Abitibi-Consolidated, Inc., 7.4%, 2018 (d)                | \$ 130,000 | \$ 28,275    |
| Boise, Inc., 8%, 2020 (n)                                 | 105,000    | 108,150      |
| Cascades, Inc., 7.75%, 2017 (n)                           | 70,000     | 71,225       |
| Cellu Tissue Holdings, Inc., 11.5%, 2014                  | 175,000    | 195,563      |
| Georgia-Pacific Corp., 7.125%, 2017 (n)                   | 115,000    | 121,325      |
| Georgia-Pacific Corp., 8%, 2024                           | 105,000    | 113,400      |
| Georgia-Pacific Corp., 7.25%, 2028                        | 30,000     | 30,450       |
| Jefferson Smurfit Corp., 8.25%, 2012 (d)                  | 55,000     | 55,206       |
| JSG Funding PLC, 7.75%, 2015                              | 30,000     | 29,288       |
| Millar Western Forest Products Ltd., 7.75%, 2013          | 470,000    | 433,575      |
| Smurfit Kappa Group PLC, 7.75%, 2019 (n)                  | EUR 50,000 | 69,235       |
|   |            | \$ 1,255,692 |
| Gaming & Lodging - 4.1%                                   |            |              |
| Ameristar Casinos, Inc., 9.25%, 2014                      | \$ 65,000  | \$ 68,250    |
| Boyd Gaming Corp., 6.75%, 2014                            | 85,000     | 78,625       |
| Firekeepers Development Authority, 13.875%, 2015 (n)      | 190,000    | 220,400      |
| Fontainebleau Las Vegas Holdings LLC, 10.25%, 2049 (d)(n) | 290,000    | 3,988        |
| Gaylord Entertainment Co., 6.75%, 2014                    | 90,000     | 87,075       |
| GWR Operating Partnership LLP, 10.875%, 2017 (z)          | 100,000    | 99,500       |
| Harrah s Operating Co., Inc., 11.25%, 2017                | 100,000    | 109,000      |
| Harrah s Operating Co., Inc., 10%, 2018                   | 210,000    | 181,650      |
| Harrah s Operating Co., Inc., 10%, 2018                   | 66,000     | 57,090       |
| Host Hotels & Resorts, Inc., 9%, 2017 (n)                 | 65,000     | 70,850       |
| MGM Mirage, 10.375%, 2014 (n)                             | 20,000     | 21,900       |
| MGM Mirage, 7.5%, 2016                                    | 145,000    | 127,963      |
| MGM Mirage, 11.125%, 2017 (n)                             | 60,000     | 68,175       |
| MGM Mirage, 11.375%, 2018 (n)                             | 150,000    | 154,125      |
| MGM Mirage, 9%, 2020 (n)                                  | 15,000     | 15,750       |
| Midwest Gaming, Inc., 11.625%, 2016 (n)                   | 30,000     | 30,825       |
| MTR Gaming Group, Inc., 9%, 2012                          | 80,000     | 67,600       |
| Newland International Properties Corp., 9.5%, 2014 (n)    | 156,000    | 141,765      |
| Penn National Gaming, Inc., 8.75%, 2019 (n)               | 105,000    | 109,463      |
| Pinnacle Entertainment, Inc., 7.5%, 2015                  | 85,000     | 81,813       |
| Royal Caribbean Cruises Ltd., 7%, 2013                    | 40,000     | 41,500       |
| Royal Caribbean Cruises Ltd., 11.875%, 2015               | 90,000     | 108,450      |
| Starwood Hotels & Resorts Worldwide, Inc., 6.75%, 2018    | 55,000     | 56,650       |
| Station Casinos, Inc., 6%, 2012 (d)                       | 208,000    | 15,080       |
| Station Casinos, Inc., 6.5%, 2014 (d)                     | 345,000    | 3,019        |

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

| Issuer   | Shares/Par | Value (\$)   |
|--|------------|--------------|
| <b>Bonds - continued</b>   |            |              |
| <b>Gaming &amp; Lodging - continued</b>                          |            |              |
| Station Casinos, Inc., 6.875%, 2016 (d)                          | \$565,000  | \$ 4,972     |
| Station Casinos, Inc., 7.75%, 2016 (d)                           | 72,000     | 3,690        |
|  |            | \$ 2,029,168 |
| <b>Industrial - 0.9%</b>   |            |              |
| Altra Holdings, Inc., 8.125%, 2016 (n)                           | \$ 70,000  | \$ 71,138    |
| Aquilex Corp., 11.125%, 2016 (n)                                 | 45,000     | 48,825       |
| Baldor Electric Co., 8.625%, 2017                                | 175,000    | 185,063      |
| Great Lakes Dredge & Dock Corp., 7.75%, 2013                     | 85,000     | 85,956       |
| Johnsondiversey Holdings, Inc., 8.25%, 2019 (n)                  | 65,000     | 68,250       |
|  |            | \$ 459,232   |
| <b>Insurance - 0.9%</b>  |            |              |
| American International Group, Inc., 8.175%, to 2038, FRN to 2058 | \$195,000  | \$ 168,919   |
| ING Groep N.V., 5.775% to 2015, FRN to 2049                      | 290,000    | 250,250      |
|  |            | \$ 419,169   |
| <b>Insurance - Property &amp; Casualty - 1.0%</b>                |            |              |
| Liberty Mutual Group, Inc., 10.75% to 2038, FRN to 2088 (n)      | \$185,000  | \$ 215,525   |
| USI Holdings Corp., 9.75%, 2015 (z)                              | 310,000    | 298,375      |
|  |            | \$ 513,900   |
| <b>Machinery &amp; Tools - 0.4%</b>                              |            |              |
| Case Corp., 7.25%, 2016  | \$ 50,000  | \$ 52,125    |
| Rental Service Corp., 9.5%, 2014                                 | 135,000    | 138,713      |
|  |            | \$ 190,838   |
| <b>Major Banks - 0.6%</b>  |            |              |
| Bank of America Corp., 8% to 2018, FRN to 2049                   | \$160,000  | \$ 161,067   |
| Royal Bank of Scotland Group PLC, 6.99% to 2017, FRN to 2049 (n) | 100,000    | 73,500       |
| Royal Bank of Scotland Group PLC, FRN, 7.648%, 2049              | 100,000    | 85,500       |
|  |            | \$ 320,067   |
| <b>Medical &amp; Health Technology &amp; Services - 5.2%</b>     |            |              |
| Biomet, Inc., 11.625%, 2017                                      | \$355,000  | \$ 397,600   |
| DaVita, Inc., 6.625%, 2013                                       | 71,000     | 71,710       |
| Fresenius Medical Care AG & Co. KGaA, 9%, 2015 (n)               | 120,000    | 135,000      |
| HCA, Inc., 9%, 2014  | 320,000    | 331,200      |
| HCA, Inc., 9.25%, 2016   | 115,000    | 124,344      |
| HCA, Inc., 8.5%, 2019 (n)  | 100,000    | 109,875      |
| HealthSouth Corp., 8.125%, 2020                                  | 155,000    | 156,550      |
| Psychiatric Solutions, Inc., 7.75%, 2015                         | 65,000     | 66,300       |
| Psychiatric Solutions, Inc., 7.75%, 2015 (n)                     | 35,000     | 35,700       |
| Surgical Care Affiliates, Inc., 10%, 2017 (n)                    | 185,000    | 186,388      |

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

| Issuer  | Shares/Par | Value (\$)   |
|---|------------|--------------|
| <b>Bonds - continued</b>  |            |              |
| <b>Medical &amp; Health Technology &amp; Services - continued</b> |            |              |
| Tenet Healthcare Corp., 9.25%, 2015                               | \$ 170,000 | \$ 181,900   |
| U.S. Oncology, Inc., 10.75%, 2014                                 | 130,000    | 135,525      |
| United Surgical Partners International, Inc., 8.875%, 2017        | 30,000     | 31,238       |
| United Surgical Partners International, Inc., 9.25%, 2017 (p)     | 50,000     | 52,500       |
| Universal Hospital Services, Inc., 8.5%, 2015 (p)                 | 185,000    | 183,613      |
| Universal Hospital Services, Inc., FRN, 3.859%, 2015              | 35,000     | 29,925       |
| Vanguard Health Systems, Inc., 8%, 2018 (n)                       | 115,000    | 113,850      |
| VWR Funding, Inc., 10.25%, 2015 (p)                               | 221,812    | 234,012      |
|   |            | \$ 2,577,230 |
| <b>Metals &amp; Mining - 1.3%</b>                                 |            |              |
| Bumi Capital Pte Ltd., 12%, 2016                                  | \$ 100,000 | \$ 110,380   |
| Cloud Peak Energy, Inc., 8.25%, 2017 (n)                          | 85,000     | 87,125       |
| Cloud Peak Energy, Inc., 8.5%, 2019 (n)                           | 85,000     | 87,550       |
| CONSOL Energy, Inc., 8%, 2017 (n)                                 | 75,000     | 79,219       |
| CONSOL Energy, Inc., 8.25%, 2020 (n)                              | 50,000     | 53,250       |
| FMG Finance Ltd., 10.625%, 2016 (n)                               | 115,000    | 135,125      |
| U.S. Steel Corp., 7.375%, 2020                                    | 75,000     | 77,063       |
|   |            | \$ 629,712   |
| <b>Natural Gas - Distribution - 0.2%</b>                          |            |              |
| Ferrellgas Partners LP, 8.625%, 2020                              | \$ 105,000 | \$ 106,838   |
| <b>Natural Gas - Pipeline - 1.4%</b>                              |            |              |
| Atlas Pipeline Partners LP, 8.125%, 2015                          | \$ 145,000 | \$ 142,825   |
| Atlas Pipeline Partners LP, 8.75%, 2018                           | 145,000    | 142,825      |
| Crosstex Energy, Inc., 8.875%, 2018 (n)                           | 50,000     | 52,000       |
| El Paso Corp., 8.25%, 2016  | 75,000     | 81,375       |
| El Paso Corp., 7%, 2017   | 55,000     | 56,506       |
| El Paso Corp., 7.75%, 2032  | 55,000     | 55,111       |
| MarkWest Energy Partners LP, 6.875%, 2014                         | 120,000    | 117,600      |
| MarkWest Energy Partners LP, 8.75%, 2018                          | 30,000     | 31,088       |
|   |            | \$ 679,330   |
| <b>Network &amp; Telecom - 1.5%</b>                               |            |              |
| Cincinnati Bell, Inc., 8.75%, 2018                                | \$ 120,000 | \$ 121,500   |
| Citizens Communications Co., 9%, 2031                             | 40,000     | 40,400       |
| Nordic Telephone Co. Holdings, 8.875%, 2016 (n)                   | 185,000    | 198,181      |
| Qwest Communications International, Inc., 7.125%, 2018 (n)        | 105,000    | 108,413      |
| Qwest Corp., 8.375%, 2016   | 60,000     | 68,400       |
| Windstream Corp., 8.625%, 2016                                    | 200,000    | 204,750      |
|   |            | \$ 741,644   |

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

| Issuer   | Shares/Par | Value (\$) |
|--|------------|------------|
| <b>Bonds - continued</b>                               |            |            |
| <b>Oil Services - 1.0%</b>                             |            |            |
| Allis-Chalmers Energy, Inc., 8.5%, 2017                | \$150,000  | \$ 138,000 |
| Basic Energy Services, Inc., 7.125%, 2016              | 50,000     | 44,375     |
| Edgen Murray Corp., 12.25%, 2015 (z)                   | 40,000     | 39,400     |
| McJunkin Red Man Holding Corp., 9.5%, 2016 (n)         | 85,000     | 88,506     |
| Pioneer Drilling Co., 9.875%, 2018 (n)                 | 80,000     | 82,400     |
| Trico Shipping A.S., 11.875%, 2014 (n)                 | 105,000    | 106,181    |
|  |            | \$ 498,862 |
| <b>Oils - 0.5%</b>                                     |            |            |
| Alliance Oil Co. Ltd., 9.875%, 2015 (n)                | \$125,000  | \$ 128,125 |
| Petroplus Holdings AG, 9.375%, 2019 (n)                | 100,000    | 95,500     |
|  |            | \$ 223,625 |
| <b>Other Banks &amp; Diversified Financials - 0.9%</b> |            |            |
| Capital One Financial Corp., 10.25%, 2039              | \$130,000  | \$ 156,000 |
| CenterCredit International B.V., 8.625%, 2014          | 100,000    | 102,500    |
| LBG Capital No.1 PLC, 7.875%, 2020 (n)                 | 100,000    | 91,500     |
| Santander UK PLC, 8.963% to 2030, FRN to 2049          | 100,000    | 111,058    |
|  |            | \$ 461,058 |
| <b>Precious Metals &amp; Minerals - 0.1%</b>           |            |            |
| Teck Resources Ltd., 10.25%, 2016                      | \$ 35,000  | \$ 42,175  |
| <b>Printing &amp; Publishing - 1.5%</b>                |            |            |
| American Media Operations, Inc., 9%, 2013 (p)(z)       | \$ 22,651  | \$ 13,681  |
| American Media Operations, Inc., 14%, 2013 (p)(z)      | 231,735    | 134,046    |
| McClatchy Co., 11.5%, 2017 (n)                         | 80,000     | 85,600     |
| Morris Publishing Group LLC, 10%, 2014                 | 76,463     | 72,066     |
| Nielsen Finance LLC, 10%, 2014                         | 190,000    | 199,500    |
| Nielsen Finance LLC, 11.5%, 2016                       | 95,000     | 107,825    |
| Nielsen Finance LLC, 12.5%, 2016                       | 141,000    | 136,770    |
|  |            | \$ 749,488 |
| <b>Railroad &amp; Shipping - 0.2%</b>                  |            |            |
| Kansas City Southern Railway, 8%, 2015                 | \$ 75,000  | \$ 79,313  |
| <b>Real Estate - 0.3%</b>                              |            |            |
| CB Richard Ellis Group, Inc., 11.625%, 2017            | \$120,000  | \$ 136,200 |
| <b>Retailers - 3.2%</b>                                |            |            |
| Couche-Tard, Inc., 7.5%, 2013                          | \$ 55,000  | \$ 56,100  |
| Dollar General Corp., 11.875%, 2017 (p)                | 62,000     | 72,850     |
| Express Parent LLC, 8.75%, 2018 (n)                    | 65,000     | 66,950     |

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

| Issuer   | Shares/Par | Value (\$)   |
|--|------------|--------------|
| <b>Bonds - continued</b>                               |            |              |
| <b>Retailers - continued</b>                           |            |              |
| General Nutrition Centers, Inc., FRN, 4.893%, 2014 (p) | \$210,000  | \$ 200,025   |
| Limited Brands, Inc., 6.9%, 2017                       | 75,000     | 78,000       |
| Limited Brands, Inc., 6.95%, 2033                      | 40,000     | 36,000       |
| Macy's, Inc., 5.75%, 2014                              | 120,000    | 125,550      |
| Macy's, Inc., 5.9%, 2016                               | 125,000    | 128,750      |
| Neiman Marcus Group, Inc., 10.375%, 2015               | 225,000    | 237,094      |
| QVC, Inc., 7.375%, 2020 (z)                            | 50,000     | 50,750       |
| Sally Beauty Holdings, Inc., 10.5%, 2016               | 230,000    | 252,425      |
| Toys 'R Us, Inc., 7.625%, 2011                         | 45,000     | 46,688       |
| Toys 'R Us, Inc., 10.75%, 2017 (n)                     | 140,000    | 158,900      |
| Toys 'R Us, Inc., 8.5%, 2017 (n)                       | 60,000     | 63,450       |
|  |            | \$ 1,573,532 |
| <b>Specialty Stores - 0.4%</b>                         |            |              |
| Payless ShoeSource, Inc., 8.25%, 2013                  | \$191,000  | \$ 195,298   |
| <b>Supermarkets - 0.1%</b>                             |            |              |
| SUPERVALU, Inc., 8%, 2016                              | \$ 70,000  | \$ 71,225    |
| <b>Telecommunications - Wireless - 2.6%</b>            |            |              |
| Clearwire Corp., 12%, 2015 (n)                         | \$145,000  | \$ 150,438   |
| Cricket Communications, Inc., 7.75%, 2016              | 95,000     | 98,563       |
| Crown Castle International Corp., 9%, 2015             | 80,000     | 85,900       |
| Crown Castle International Corp., 7.75%, 2017 (n)      | 60,000     | 65,250       |
| Crown Castle International Corp., 7.125%, 2019         | 50,000     | 50,250       |
| Digicel Group Ltd., 10.5%, 2018 (n)                    | 165,000    | 176,138      |
| NII Holdings, Inc., 10%, 2016 (n)                      | 95,000     | 105,450      |
| SBA Communications Corp., 8.25%, 2019 (n)              | 35,000     | 37,538       |
| Sprint Capital Corp., 6.875%, 2028                     | 50,000     | 43,500       |
| Sprint Nextel Corp., 8.375%, 2017                      | 140,000    | 144,725      |
| Sprint Nextel Corp., 8.75%, 2032                       | 65,000     | 65,000       |
| Wind Acquisition Finance S.A., 12%, 2015 (n)           | 225,000    | 240,188      |
|  |            | \$ 1,262,940 |
| <b>Telephone Services - 0.2%</b>                       |            |              |
| Frontier Communications Corp., 8.125%, 2018            | \$115,000  | \$ 117,875   |
| <b>Tobacco - 0.2%</b>                                  |            |              |
| Alliance One International, Inc., 10%, 2016 (n)        | \$ 90,000  | \$ 95,400    |
| <b>Transportation - Services - 0.7%</b>                |            |              |
| Commercial Barge Line Co., 12.5%, 2017                 | \$170,000  | \$ 186,150   |



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

| Issuer   | Shares/Par | Value (\$)           |
|--|------------|----------------------|
| Bonds - continued  |            |                      |
| Transportation - Services - continued                                |            |                      |
| Hertz Corp., 8.875%, 2014  | \$175,000  | \$ 180,688           |
|  |            | \$ 366,838           |
| Utilities - Electric Power - 3.2%                                    |            |                      |
| AES Corp., 8%, 2017  | \$285,000  | \$ 293,550           |
| Calpine Corp., 8%, 2016 (n)  | 125,000    | 129,375              |
| Dynegy Holdings, Inc., 7.5%, 2015 (n)                                | 85,000     | 74,375               |
| Dynegy Holdings, Inc., 7.75%, 2019                                   | 155,000    | 124,000              |
| Edison Mission Energy, 7%, 2017                                      | 355,000    | 258,706              |
| Energy Future Holdings Corp., 10%, 2020 (n)                          | 100,000    | 105,000              |
| NGC Corp. Capital Trust, 8.316%, 2027                                | 275,000    | 167,750              |
| Texas Competitive Electric Holdings LLC, 10.25%, 2015                | 545,000    | 408,750              |
|  |            | \$ 1,561,506         |
| <b>Total Bonds (Identified Cost, \$35,142,444)</b>                   |            | <b>\$ 33,448,507</b> |
| Floating Rate Loans (g)(r) - 2.0%                                    |            |                      |
| Aerospace - 0.1%   |            |                      |
| Hawker Beechcraft Acquisition Co. LLC, Term Loan, 10.5%, 2014        | \$ 67,148  | \$ 67,274            |
| Automotive - 0.1%  |            |                      |
| Accuride Corp., Term Loan, 9.75%, 2013                               | \$ 22,909  | \$ 22,886            |
| Broadcasting - 0.6%  |            |                      |
| Gray Television, Inc., Term Loan B, 3.8%, 2014                       | \$ 52,111  | \$ 51,026            |
| Local TV Finance LLC, Term Loan B, 2.3%, 2013                        | 11,520     | 10,531               |
| Young Broadcasting, Inc., Incremental Term Loan, 4.75%, 2012 (d)     | 70,034     | 66,649               |
| Young Broadcasting, Inc., Term Loan, 4.75%, 2012 (d)                 | 189,973    | 180,791              |
|  |            | \$ 308,997           |
| Building - 0.2%  |            |                      |
| Roofing Supply Group, Inc., Term Loan, 7.24%, 2013                   | \$119,061  | \$ 116,084           |
| Financial Institutions - 0.1%  |            |                      |
| American General Financial Corp., Term Loan B, 7.25%, 2015           | \$ 19,048  | \$ 19,081            |
| Gaming & Lodging - 0.1%  |            |                      |
| Green Valley Ranch Gaming LLC, Second Lien Term Loan, 3.5%, 2014 (d) | \$450,000  | \$ 27,750            |
| Printing & Publishing - 0.2%   |            |                      |
| Tribune Co., Incremental Term Loan B, 5.25%, 2014 (d)                | \$152,393  | \$ 98,511            |

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

| Issuer  | Shares/Par | Value (\$)        |
|---|------------|-------------------|
| <b>Floating Rate Loans (g)(r) - continued</b>                           |            |                   |
| Real Estate - 0.1%  |            |                   |
| Realogy Corp., Letter of Credit, 2013 (o)                               | \$ 13,275  | \$ 11,995         |
| Realogy Corp., Term Loan, 2013 (o)                                      | 49,305     | 44,553            |
|   |            | \$ 56,548         |
| Specialty Stores - 0.1%   |            |                   |
| Michaels Stores, Inc., Term Loan B1, 2.53%, 2013                        | \$ 68,759  | \$ 65,847         |
| Utilities - Electric Power - 0.4%                                       |            |                   |
| Texas Competitive Electric Holdings Co. LLC, Term Loan B-2, 3.75%, 2014 | \$123,130  | \$ 100,828        |
| Texas Competitive Electric Holdings Co. LLC, Term Loan B-3, 3.75%, 2014 | 130,454    | 106,103           |
|   |            | \$ 206,931        |
| <b>Total Floating Rate Loans (Identified Cost, \$1,263,685)</b>         |            | <b>\$ 989,909</b> |
| <b>Common Stocks - 24.4%</b>  |            |                   |
| Aerospace - 0.9%  |            |                   |
| Lockheed Martin Corp.   | 5,010      | \$ 425,275        |
| Automotive - 0.8%   |            |                   |
| Johnson Controls, Inc.  | 11,670     | \$ 391,995        |
| Broadcasting - 0.9%   |            |                   |
| Dex One Corp. (a)   | 1,708      | \$ 51,769         |
| Omnicom Group, Inc.   | 8,710      | 371,569           |
| Supermedia, Inc. (a)  | 172        | 7,723             |
|   |            | \$ 431,061        |
| Brokerage & Asset Managers - 0.7%                                       |            |                   |
| Charles Schwab Corp.  | 18,900     | \$ 364,581        |
| Chemicals - 1.9%  |            |                   |
| 3M Co.  | 3,330      | \$ 295,271        |
| LyondellBasell Industries N.V., A (a)                                   | 8,096      | 180,541           |
| LyondellBasell Industries N.V., B (a)                                   | 5,144      | 115,740           |
| PPG Industries, Inc.  | 4,930      | 346,924           |
|   |            | \$ 938,476        |
| Computer Software - Systems - 0.7%                                      |            |                   |
| Hewlett-Packard Co.   | 6,860      | \$ 356,514        |

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

| Issuer                               | Shares/Par | Value (\$)   |
|--------------------------------------|------------|--------------|
| <b>Common Stocks - continued</b>     |            |              |
| <b>Construction - 0.4%</b>           |            |              |
| Nortek, Inc. (a)                     | 4,694      | \$ 220,618   |
| <b>Consumer Products - 0.9%</b>      |            |              |
| Procter & Gamble Co.                 | 7,140      | \$ 443,822   |
| <b>Electrical Equipment - 0.8%</b>   |            |              |
| Danaher Corp.                        | 4,980      | \$ 419,714   |
| <b>Energy - Independent - 2.5%</b>   |            |              |
| Anadarko Petroleum Corp.             | 4,920      | \$ 305,827   |
| Apache Corp.                         | 4,800      | 488,448      |
| Noble Energy, Inc.                   | 5,720      | 437,008      |
|                                      |            | \$ 1,231,283 |
| <b>Energy - Integrated - 0.6%</b>    |            |              |
| Exxon Mobil Corp.                    | 4,540      | \$ 308,039   |
| <b>Food &amp; Beverages - 1.4%</b>   |            |              |
| General Mills, Inc.                  | 4,090      | \$ 291,126   |
| PepsiCo, Inc.                        | 5,800      | 378,276      |
|                                      |            | \$ 669,402   |
| <b>Food &amp; Drug Stores - 0.7%</b> |            |              |
| Kroger Co.                           | 15,490     | \$ 344,343   |
| <b>General Merchandise - 0.8%</b>    |            |              |
| Target Corp.                         | 7,080      | \$ 402,640   |
| <b>Insurance - 1.4%</b>              |            |              |
| MetLife, Inc.                        | 9,740      | \$ 443,949   |
| Travelers Cos., Inc.                 | 5,380      | 272,981      |
|                                      |            | \$ 716,930   |
| <b>Leisure &amp; Toys - 0.4%</b>     |            |              |
| Hasbro, Inc.                         | 5,140      | \$ 197,170   |
| <b>Major Banks - 2.0%</b>            |            |              |
| Bank of America Corp.                | 21,630     | \$ 385,663   |
| Goldman Sachs Group, Inc.            | 2,240      | 325,248      |
| State Street Corp.                   | 5,920      | 257,520      |
|                                      |            | \$ 968,431   |

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

| Issuer  | Shares/Par | Value (\$) |
|---|------------|------------|
| <b>Common Stocks - continued</b>              |            |            |
| <b>Medical Equipment - 0.5%</b>               |            |            |
| Becton, Dickinson & Co.                       | 3,080      | \$ 235,220 |
| <b>Metals &amp; Mining - 0.2%</b>             |            |            |
| United States Steel Corp.                     | 1,780      | \$ 97,295  |
| <b>Network &amp; Telecom - 0.3%</b>           |            |            |
| Nokia Corp., ADR                              | 11,870     | \$ 144,339 |
| <b>Oil Services - 0.3%</b>                    |            |            |
| Halliburton Co.                               | 5,080      | \$ 155,702 |
| <b>Pharmaceuticals - 1.9%</b>                 |            |            |
| Abbott Laboratories                           | 7,080      | \$ 362,213 |
| Johnson & Johnson                             | 8,750      | 562,625    |
|   |            | \$ 924,838 |
| <b>Printing &amp; Publishing - 0.1%</b>       |            |            |
| American Media, Inc. (a)                      | 3,970      | \$ 24,298  |
| Golden Books Family Entertainment, Inc. (a)   | 53,266     | 0          |
| World Color Press, Inc. (a)                   | 1,209      | 14,629     |
|   |            | \$ 38,927  |
| <b>Special Products &amp; Services - 0.0%</b> |            |            |
| Mark IV Industries LLC, Common Units, A (a)   | 180        | \$ 7,560   |
| <b>Specialty Stores - 0.4%</b>                |            |            |
| Limited Brands, Inc.                          | 6,610      | \$ 177,148 |
| <b>Telecommunications - Wireless - 0.7%</b>   |            |            |
| Vodafone Group PLC, ADR                       | 15,410     | \$ 342,102 |
| <b>Telephone Services - 0.6%</b>              |            |            |
| Adelphia Business Solutions, Inc. (a)         | 40,000     | \$ 0       |
| CenturyTel, Inc.                              | 8,550      | 291,641    |
|   |            | \$ 291,641 |
| <b>Trucking - 0.5%</b>                        |            |            |
| United Parcel Service, Inc., B                | 3,840      | \$ 265,498 |
| <b>Utilities - Electric Power - 1.1%</b>      |            |            |
| Entergy Corp.                                 | 3,770      | \$ 306,463 |

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*Portfolio of Investments (unaudited) continued*

| Issuer   | Shares/Par          | Value (\$)            |                   |                      |
|--|---------------------|-----------------------|-------------------|----------------------|
| <b>Common Stocks - continued</b>                                 |                     |                       |                   |                      |
| Utilities - Electric Power - continued                           |                     |                       |                   |                      |
| PG&E Corp.   | 5,200               | \$ 227,760            |                   |                      |
|  |                     | \$ 534,223            |                   |                      |
| <b>Total Common Stocks (Identified Cost, \$11,468,925)</b>       |                     | <b>\$ 12,044,787</b>  |                   |                      |
| <b>Preferred Stocks - 0.7%</b>                                   |                     |                       |                   |                      |
| Broadcasting - 0.5%  |                     |                       |                   |                      |
| Spanish Broadcasting Systems, Inc., B, 10.75%                    | 345                 | \$ 241,500            |                   |                      |
| Financial Institutions - 0.2%                                    |                     |                       |                   |                      |
| GMAC, Inc., 7% (z)   | 124                 | \$ 105,311            |                   |                      |
| <b>Total Preferred Stocks (Identified Cost, \$438,212)</b>       |                     | <b>\$ 346,811</b>     |                   |                      |
| <b>Warrants - 0.0%</b>   |                     |                       |                   |                      |
| <b>Issuer</b>  | <b>Strike Price</b> | <b>First Exercise</b> | <b>Shares/Par</b> | <b>Value (\$)</b>    |
| Printing & Publishing - 0.0%                                     |                     |                       |                   |                      |
| World Color Press, Inc.  |                     |                       |                   |                      |
| (1 share for 1 warrant) (a)                                      | \$ 13.00            | 8/26/09               | 685               | \$ 3,596             |
| World Color Press, Inc.  |                     |                       |                   |                      |
| (1 share for 1 warrant) (a)                                      | \$ 16.30            | 8/26/09               | 685               | 1,576                |
| <b>Total Warrants</b>  |                     |                       |                   | <b>\$ 5,172</b>      |
| <b>(Identified Cost, \$20,640)</b>                               |                     |                       |                   | <b>\$ 5,172</b>      |
| <b>Money Market Funds (v) -1.6%</b>                              |                     |                       |                   |                      |
| MFS Institutional Money Market Portfolio, 0.19%, at Cost and Net |                     |                       |                   |                      |
| Asset Value  |                     |                       | 798,016           | \$ 798,016           |
| <b>Total Investments (Identified Cost, \$49,131,922)</b>         |                     |                       |                   | <b>\$ 47,633,202</b> |
| Other Assets, Less Liabilities - 3.6%                            |                     |                       |                   | 1,804,374            |
| <b>Net Assets - 100.0%</b>                                       |                     |                       |                   | <b>\$ 49,437,576</b> |

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*Portfolio of Investments (unaudited) continued*

(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.

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

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

(n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in the ordinary course of business in transactions exempt from registration, normally to qualified institutional buyers. At period end, the aggregate value of these securities was \$8,783,141, representing 17.8% 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:

| <b>Restricted Securities</b>                                 | <b>Acquisition Date</b> | <b>Cost</b> | <b>Current Market Value</b> |
|--|-------------------------|-------------|-----------------------------|
| Allbritton Communications Co., 8%, 2018                      | 4/22/10                 | \$55,000    | \$55,000                    |
| American Media Operations, Inc., 9%, 2013                    | 1/29/09-10/15/09        | 16,206      | 13,681                      |
| American Media Operations, Inc., 14%, 2013                   | 1/29/09-10/15/09        | 141,657     | 134,046                     |
| Anthracite Ltd., CDO, 6%, 2037                               | 5/14/02                 | 385,556     | 22,500                      |
| Banc of America Commercial Mortgage, Inc., FRN, 6.416%, 2051 | 6/19/08                 | 238,146     | 90,868                      |
| Bonten Media Acquisition Co., 9%, 2015                       | 5/22/07-11/15/09        | 181,801     | 79,994                      |
| Charter Communications Holding Co. LLC, 7.875%, 2018         | 4/14/10                 | 25,000      | 25,438                      |
| Charter Communications Holding Co. LLC, 8.125%, 2020         | 4/14/10                 | 15,000      | 15,338                      |
| Credit Acceptance Corp., 9.125%, 2017                        | 1/25/10                 | 58,535      | 62,700                      |
| Edgen Murray Corp., 12.25%, 2015                             | 4/13/10-4/14/10         | 39,379      | 39,400                      |
| Falcon Franchise Loan LLC, FRN, 3.968%, 2025                 | 1/29/03                 | 104,390     | 14,075                      |

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|  |                 |        |         |
|--|-----------------|--------|---------|
| Freescall Semiconductor, Inc., 9.25%, 2018   | 4/07/10         | 70,000 | 72,800  |
| GMAC, Inc., 7% (Preferred Stock)             | 1/23/09         | 94,783 | 105,311 |
| GWR Operating Partnership LLP, 10.875%, 2017 | 3/30/10-3/31/10 | 96,043 | 99,500  |
| Gray Television, Inc., 10.5%, 2015           | 4/21/10         | 34,330 | 35,131  |

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*Portfolio of Investments (unaudited) continued*

|  | Acquisition Date  | Cost     | Current Market Value |
|--|-------------------|----------|----------------------|
| <b>Restricted Securities - continued</b>           |                   |          |                      |
| LBI Media, Inc., 8.5%, 2017                        | 7/18/07           | \$88,807 | \$77,513             |
| Local TV Finance LLC, 9.25%, 2015                  | 11/09/07-11/30/09 | 225,132  | 162,325              |
| ManTech International Corp., 7.25%, 2018           | 4/08/10           | 20,000   | 20,425               |
| Morgan Stanley Capital I, Inc., FRN, 1.258%, 2039  | 7/20/04           | 10,178   | 19,531               |
| Nationstar Mortgage LLC, 10.875%, 2015             | 3/23/10           | 77,798   | 77,200               |
| Preferred Term Securities XII Ltd., CDO, 0%, 2033  | 1/07/05           | 236,090  | 45                   |
| Preferred Term Securities XVI Ltd., CDO, 0%, 2035  | 12/08/04          | 300,000  | 30                   |
| Preferred Term Securities XVII Ltd., CDO, 0%, 2035 | 3/09/05           | 187,000  | 19                   |
| QVC, Inc., 7.375%, 2020                            | 3/17/10           | 50,000   | 50,750               |
| USI Holdings Corp., 9.75%, 2015                    | 4/26/07-11/28/07  | 297,185  | 298,375              |
| Total Restricted Securities                        |                   |          | \$1,571,995          |
| % of Net Assets                                    |                   |          | 3.2%                 |

**Derivative Contracts at 4/30/10**

**Forward Foreign Currency Exchange Contracts at 4/30/10**

| Type                     | Currency | Counterparty | Contracts to Deliver/Receive | Settlement Date Range | In Exchange for | Contracts at Value | Net Unrealized Appreciation (Depreciation) |
|--------------------------|----------|--------------|------------------------------|-----------------------|-----------------|--------------------|--|
| <b>Asset Derivatives</b> |          |              |                              |                       |                 |                    |  |
| SELL                     | EUR      | UBS AG       | 189,102                      | 6/14/10               | \$ 258,393      | \$ 251,815         | \$ 6,578                                   |

At April 30, 2010, the fund had sufficient cash and/or securities to cover any commitments under these derivative contracts.

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

ADR American Depository Receipt

CDO Collateralized Debt Obligation

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

PLC Public Limited Company

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

**See Notes to Financial Statements**



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

At 4/30/10 (unaudited)

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

|   |              |              |
|---|--------------|--------------|
| <b>Assets</b>   |              |              |
| Investments-  |              |              |
| Non-affiliated issuers, at value (identified cost, \$48,333,906)  | \$46,835,186 |              |
| Underlying funds, at cost and value   | 798,016      |              |
| Total investments, at value (identified cost, \$49,131,922)   |              | \$47,633,202 |
| Cash  | \$229,447    |              |
| Receivables for   |              |              |
| Forward foreign currency exchange contracts   | 6,578        |              |
| Investments sold  | 1,309,145    |              |
| Interest and dividends  | 889,283      |              |
| Other assets  | 23,708       |              |
| Total assets  |              | \$50,091,363 |
| <b>Liabilities</b>  |              |              |
| Payables for  |              |              |
| Distributions   | \$223        |              |
| Investments purchased   | 489,553      |              |
| Payable to affiliates   |              |              |
| Investment adviser  | 2,599        |              |
| Transfer agent and dividend disbursing costs  | 535          |              |
| Administrative services fee   | 96           |              |
| Payable for independent trustees' compensation  | 116,159      |              |
| Accrued expenses and other liabilities  | 44,622       |              |
| Total liabilities   |              | \$653,787    |
| Net assets  |              | \$49,437,576 |
| <b>Net assets consist of</b>  |              |              |
| Paid-in capital   | \$66,279,554 |              |
| Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies | (1,492,372)  |              |
| Accumulated net realized gain (loss) on investments and foreign currency transactions                                 | (14,557,140) |              |
| Accumulated distributions in excess of net investment income  | (792,466)    |              |
| Net assets  |              | \$49,437,576 |
| Shares of beneficial interest outstanding   |              | 6,813,762    |
| Net asset value per share (net assets of \$49,437,576 / 6,813,762 shares of beneficial interest outstanding)          |              | \$7.26       |
| <b>See Notes to Financial Statements</b>  |              |              |

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

Six months ended 4/30/10 (unaudited)

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

|   |             |             |
|---|-------------|-------------|
| <b>Net investment income</b>  |             |             |
| Income  |             |             |
| Interest  | \$1,781,934 |             |
| Dividends   | 169,310     |             |
| Dividends from underlying funds   | 640         |             |
| Foreign taxes withheld  | (1,107)     |             |
| Total investment income   |             | \$1,950,777 |
| Expenses  |             |             |
| Management fee  | \$226,034   |             |
| Transfer agent and dividend disbursing costs  | 6,946       |             |
| Administrative services fee   | 8,679       |             |
| Independent Trustees' compensation  | 27,620      |             |
| Stock exchange fee  | 11,793      |             |
| Custodian fee   | 11,932      |             |
| Shareholder communications  | 21,885      |             |
| Auditing fees   | 30,095      |             |
| Legal fees  | 4,125       |             |
| Miscellaneous   | 7,157       |             |
| Total expenses  |             | \$356,266   |
| Fees paid indirectly  | (13)        |             |
| Reduction of expenses by investment adviser   | (14,649)    |             |
| Net expenses  |             | \$341,604   |
| Net investment income   |             | \$1,609,173 |
| <b>Realized and unrealized gain (loss) on investments and foreign currency transactions</b> |             |             |
| Realized gain (loss) (identified cost basis)  |             |             |
| Investment transactions   | \$779,150   |             |
| Foreign currency transactions   | 28,399      |             |
| Net realized gain (loss) on investments and foreign currency transactions                   |             | \$807,549   |
| Change in unrealized appreciation (depreciation)  |             |             |
| Investments   | \$3,607,068 |             |
| Translation of assets and liabilities in foreign currencies                                 | 9,259       |             |
| Net unrealized gain (loss) on investments and foreign currency translation                  |             | \$3,616,327 |
| Net realized and unrealized gain (loss) on investments and foreign currency                 |             | \$4,423,876 |
| Change in net assets from operations  |             | \$6,033,049 |
| <b>See Notes to Financial Statements</b>  |             |             |

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

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

|   | <b>Six months ended<br/>4/30/10<br/>(unaudited)</b> | <b>Year ended<br/>10/31/09</b> |
|---|---|--------------------------------|
| <b>Change in net assets</b>   |   |                                |
| <b>From operations</b>  |   |                                |
| Net investment income   | \$1,609,173   | \$3,828,073                    |
| Net realized gain (loss) on investments and foreign currency transactions   | 807,549   | (5,089,774)                    |
| Net unrealized gain (loss) on investments and foreign currency translation  | 3,616,327   | 14,034,472                     |
| Change in net assets from operations  | \$6,033,049   | \$12,772,771                   |
| <b>Distributions declared to shareholders</b>   |   |                                |
| From net investment income  | \$(1,609,173)                                       | \$(3,705,256)                  |
| From other sources  | (727,374)   |                                |
| Total distributions declared to shareholders  | \$(2,336,547)                                       | \$(3,705,256)                  |
| Change in net assets from fund share transactions   | \$95,317  | \$(369,604)                    |
| Total change in net assets  | \$3,791,819   | \$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 \$792,466 and \$65,092, respectively) | \$49,437,576  | \$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 semiannual period and the past 5 fiscal years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

|   | Six months<br>ended<br>4/30/10<br>(unaudited) | 2009     | 2008     | Years ended 10/31<br>2007 | 2006     | 2005     |
|---|---|----------|----------|---------------------------|----------|----------|
| Net asset value, beginning of period  | \$6.71  | \$5.36   | \$9.08   | \$9.52                    | \$9.66   | \$10.12  |
| <b>Income (loss) from investment operations</b>                                   |   |          |          |                           |          |          |
| Net investment income (d)   | \$0.24  | \$0.56   | \$0.61   | \$0.55                    | \$0.56   | \$0.60   |
| Net realized and unrealized gain<br>(loss) on investments and<br>foreign currency | 0.65  | 1.32     | (3.52)   | (0.02)                    | 0.26     | (0.04)   |
| Total from investment operations  | \$0.89  | \$1.88   | \$(2.91) | \$0.53                    | \$0.82   | \$0.56   |
| <b>Less distributions declared to shareholders</b>                                |   |          |          |                           |          |          |
| From net investment income  | \$(0.24)                                      | \$(0.54) | \$(0.60) | \$(0.89)                  | \$(0.59) | \$(0.72) |
| From net realized gain on investments   |   |          |          | (0.08)                    |          |          |
| From tax return of capital  |   |          | (0.21)   |                           | (0.37)   | (0.30)   |
| From other sources  | (0.10)  |          |          |                           |          |          |
| Total distributions declared<br>to shareholders                                   | \$(0.34)                                      | \$(0.54) | \$(0.81) | \$(0.97)                  | \$(0.96) | \$(1.02) |
| Net increase from repurchase of<br>capital shares                                 | \$  | \$0.01   | \$       | \$                        | \$       | \$       |
| Net asset value, end of period  | \$7.26  | \$6.71   | \$5.36   | \$9.08                    | \$9.52   | \$9.66   |
| Per share market value, end of period   | \$7.67  | \$6.23   | \$4.75   | \$8.44                    | \$10.91  | \$10.85  |
| Total return at market value (%)  | 29.41(n)                                      | 46.76    | (36.80)  | (14.74)                   | 10.88    | 2.77     |
| Total return at net asset value (%) (j)(r)(s)                                     | 13.73(n)                                      | 40.08    | (33.71)  | 5.11                      | 8.66     | 4.89     |
| <b>Ratios (%) (to average net assets)<br/>and Supplemental data:</b>              |   |          |          |                           |          |          |
| Expenses before expense reductions (f)  | 1.52(a)                                       | 1.64     | 1.47     | 1.27                      | 1.37     | 1.37     |
| Expenses after expense reductions (f)   | 1.46(a)                                       | 1.64     | 1.47     | 1.27                      | 1.37     | 1.37     |
| Net investment income   | 6.86(a)                                       | 10.17    | 7.85     | 5.70                      | 5.82     | 5.95     |
| Portfolio turnover  | 32  | 78       | 91       | 76                        | 72       | 47       |
| Net assets at end of period (000 Omitted)   | \$49,438                                      | \$45,646 | \$36,948 | \$62,558                  | \$65,044 | \$65,478 |

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*Financial Highlights continued*

- (a) Annualized.
- (d) Per share data is based on average shares outstanding.
- (f) Ratios do not reflect reductions from fees paid indirectly, if applicable.
- (j) Total return at net asset value is calculated using the net asset value of the fund, not the publicly traded price and therefore may be different than the total return at market value.
- (n) Not annualized.
- (r) Certain expenses have been reduced without which performance would have been lower.
- (s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

**See Notes to Financial Statements**

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## NOTES TO FINANCIAL STATEMENTS

(unaudited)

### **(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

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*Notes to Financial Statements (unaudited) continued*

instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Forward foreign currency 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

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

net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments not reflected in total investments, such as futures, forwards, swap contracts, and written options. The following is a summary of the levels used as of April 30, 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                             | \$10,994,960        | \$574,989           | \$24,298        | \$11,594,247        |
| United Kingdom                            | 342,102             |                     |                 | 342,102             |
| Netherlands                               | 296,281             |                     |                 | 296,281             |
| Finland                                   | 144,339             |                     |                 | 144,339             |
| Canada                                    | 19,801              |                     |                 | 19,801              |
| Non-U.S. Sovereign Debt                   |                     | 394,175             |                 | 394,175             |
| Corporate Bonds                           |                     | 27,606,012          |                 | 27,606,012          |
| Commercial Mortgage-Backed Securities     |                     | 738,374             |                 | 738,374             |
| Asset-Backed Securities (including CDO's) |                     | 22,594              |                 | 22,594              |
| Foreign Bonds                             |                     | 4,687,352           |                 | 4,687,352           |
| Floating Rate Loans                       |                     | 989,909             |                 | 989,909             |
| Mutual Funds                              | 798,016             |                     |                 | 798,016             |
| <b>Total Investments</b>                  | <b>\$12,595,499</b> | <b>\$35,013,405</b> | <b>\$24,298</b> | <b>\$47,633,202</b> |
| <b>Other Financial Instruments</b>        |                     |                     |                 |                     |
| Forward Currency Contracts                | \$                  | \$6,578             | \$              | \$6,578             |



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

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

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

|   | <b>Equity<br/>Securities</b> |
|---|------------------------------|
| Balance as of 10/31/09                          | \$5,320                      |
| Accrued discounts/premiums                      |                              |
| Realized gain (loss)                            |                              |
| Change in unrealized appreciation(depreciation) | 18,978                       |
| Net purchases (sales)                           |                              |
| Transfers in and/or out of Level 3              |                              |
| Balance as of 4/30/10                           | \$24,298                     |

The net change in unrealized appreciation(depreciation) from investments still held as Level 3 at April 30,2010 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

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Notes to Financial Statements (unaudited) continued

and the associated Derivative Contract Tables, generally are indicative of the volume of its derivative activity during the period.

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 April 30, 2010:

| <b>Risk</b>                | <b>Derivative</b>                              | <b>Fair Value<br/>Asset Derivatives</b> |
|----------------------------|--|---|
| Foreign Exchange Contracts | Forward Foreign Currency<br>Exchange Contracts | \$6,578                                 |

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the six months ended April 30, 2010 as reported in the Statement of Operations:

|                            | <b>Foreign<br/>Currency<br/>Transactions</b> |
|----------------------------|--|
| Foreign Exchange Contracts | \$27,311                                     |

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the six months ended April 30, 2010 as reported in the Statement of Operations:

|                            | <b>Translation<br/>of Assets<br/>and<br/>Liabilities in<br/>Foreign<br/>Currencies</b> |
|----------------------------|--|
| Foreign Exchange Contracts | \$9,631  |

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

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*Notes to Financial Statements (unaudited) continued*

Agreement could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any. However, absent an event of default by the counterparty or a termination of the agreement, the ISDA Master Agreement does not result in an 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 may enter into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date 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. The fund's maximum risk due to counterparty credit risk is the notional amount of the contract. This risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and for

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*Notes to Financial Statements (unaudited) continued*

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

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

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*Notes to Financial Statements (unaudited) continued*

the fund. This amount, for the six months ended April 30, 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 to amortization and accretion of debt securities, defaulted bonds, wash sale loss deferrals, foreign currency transactions, and derivative transactions.

The tax character of distributions made during the current period will be determined at fiscal year end. The tax character of distributions declared to shareholders for the last fiscal year is as follows:

|  |                 |
|--|-----------------|
|  | <b>10/31/09</b> |
| Ordinary income (including any short-term capital gains) | \$3,705,256     |

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Notes to Financial Statements (unaudited) continued

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

|  |               |
|--|---------------|
| <b>As of 4/30/10</b>                       |               |
| Cost of investments                        | \$50,033,453  |
| Gross appreciation                         | 3,648,437     |
| Gross depreciation                         | (6,048,688)   |
| Net unrealized appreciation (depreciation) | \$(2,400,251) |
| <b>As of 10/31/09</b>                      |               |
| Undistributed ordinary income              | 221,172       |
| Capital loss carryforwards                 | (14,488,216)  |
| Other temporary differences                | (289,175)     |
| Net unrealized appreciation (depreciation) | (5,982,261)   |

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

As of October 31, 2009, 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)    |
| Total    | \$(14,488,216) |

**(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, 2010. This management fee reduction amounted to \$14,545, which is shown as a reduction of total expenses in the Statement of Operations. The management fee incurred for the six months ended April 30, 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

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*Notes to Financial Statements (unaudited) continued*

agreed upon fee approved by the Board of Trustees. For the six months ended April 30, 2010, these fees paid to MFSC amounted to \$2,465. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the six months ended April 30, 2010, the fund did not pay any out-of-pocket expenses to MFSC.

**Administrator** MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of \$17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the six months ended April 30, 2010 was equivalent to an annual effective rate of 0.0370% 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 \$2,142 and the Retirement Deferral plan resulted in an expense of \$ 20,033, Both amounts are included in independent Trustees' compensation for the six months ended April 30, 2010. The liability for deferred retirement benefits payable to certain independent Trustees under both Plans amounted to \$107,536 at April 30, 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

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*Notes to Financial Statements (unaudited) continued*

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 and Liabilities is \$7,167 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 six months ended April 30, 2010, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were \$283 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 \$104, 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 \$14,465,197 and \$16,264,509, 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



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

of beneficial interest. During the six months ended April 30, 2010, the fund did not repurchase any shares. Transactions in fund shares were as follows:

|  | Six months ended<br>4/30/10 |          | Year ended<br>10/31/09 |             |
|--|-----------------------------|----------|------------------------|-------------|
|  | Shares                      | Amount   | Shares                 | Amount      |
| Shares issued to shareholders in reinvestment of distributions | 13,422                      | \$95,317 |                        | \$          |
| Treasury shares reacquired                                     |                             |          | (88,100)               | (369,904)   |
| Net change   | 13,422                      | \$95,317 | (88,100)               | \$(369,904) |

**(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 six months ended April 30, 2010, the fund's commitment fee and interest expense were \$358 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                           | 7,759,007                            | (7,361,003)                          | 798,016                        |
|  |                                   |                                      |                                      |                                |
|  | Realized<br>Gain (Loss)           | Capital Gain<br>Distributions        | Dividend<br>Income                   | Ending<br>Value                |
| <b>Underlying Funds</b>                  |                                   |                                      |                                      |                                |
| MFS Institutional Money Market Portfolio | \$                                | \$                                   | \$640                                | \$798,016                      |

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Shareholders of MFS Special Value Trust:

We have reviewed the accompanying statement of assets and liabilities of MFS Special Value Trust (the Fund), including the portfolio of investments, as of April 30, 2010, and the related statements of operations, changes in net assets, and financial highlights for the six-month period ended April 30, 2010. These interim financial statements and financial highlights are the responsibility of the Fund's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements and financial highlights for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of changes in net assets for the year ended October 31, 2009, and financial highlights for each of the five years in the period ended October 31, 2009, and in our report dated December 17, 2009, we expressed an unqualified opinion on such statement of changes in net assets and financial highlights.

Boston, Massachusetts

June 16, 2010

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### **BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT**

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

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

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

Information regarding how the fund voted proxies relating to portfolio securities during the 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*.

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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

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**ITEM 2. CODE OF ETHICS.**

The Registrant has not amended any provision in its Code of Ethics (the Code ) that relates to any element of the Code s definition enumerated in paragraph (b) of Item 2 of this Form N-CSR.

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

Not applicable for semi-annual reports.

**ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

Not applicable for semi-annual reports.

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

Not applicable for semi-annual reports.

**ITEM 6. SCHEDULE OF INVESTMENTS**

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

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

Not applicable for semi-annual reports.

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

There were no changes during this period.

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

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- (2) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2 under the Act (17 CFR 270.30a-2): Attached hereto.
  
- (3) Notices to Trust s common shareholders in accordance with Investment Company Act Section 19(a) and Rule 19a-1.
  
- (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. DWYER  
Maria F. Dwyer, President

Date: June 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. DWYER  
Maria F. Dwyer, President  
(Principal Executive Officer)

Date: June 16, 2010

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

Date: June 16, 2010

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