

MFS SPECIAL VALUE TRUST
Form N-CSR
January 06, 2010
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-5912

MFS SPECIAL VALUE TRUST

(Exact name of registrant as specified in charter)

500 Boylston Street, Boston, Massachusetts 02116

(Address of principal executive offices) (Zip code)

Susan S. Newton

Massachusetts Financial Services Company

500 Boylston Street

Boston, Massachusetts 02116

(Name and address of agents for service)

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

Date of fiscal year end: October 31

Date of reporting period: October 31, 2009

Table of Contents

ITEM 1. REPORTS TO STOCKHOLDERS.

Table of Contents

Annual report

MFS® Special Value Trust

10/31/09

MFV-ANN

Table of Contents

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% 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.

Table of Contents

MFS® Special Value Trust

New York Stock Exchange Symbol: **MFV**

<u>LETTER FROM THE CEO</u>	1
<u>PORTFOLIO COMPOSITION</u>	2
<u>MANAGEMENT REVIEW</u>	4
<u>PERFORMANCE SUMMARY</u>	8
<u>INVESTMENT OBJECTIVE, PRINCIPAL INVESTMENT STRATEGIES AND RISKS OF THE FUND</u>	10
<u>PORTFOLIO MANAGERS' PROFILES</u>	12
<u>DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN</u>	13
<u>PORTFOLIO OF INVESTMENTS</u>	15
<u>STATEMENT OF ASSETS AND LIABILITIES</u>	31
<u>STATEMENT OF OPERATIONS</u>	32
<u>STATEMENTS OF CHANGES IN NET ASSETS</u>	33
<u>FINANCIAL HIGHLIGHTS</u>	34
<u>NOTES TO FINANCIAL STATEMENTS</u>	35
<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	50
<u>RESULTS OF SHAREHOLDER MEETING</u>	51
<u>TRUSTEES AND OFFICERS</u>	52
<u>BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT</u>	59
<u>PROXY VOTING POLICIES AND INFORMATION</u>	64
<u>QUARTERLY PORTFOLIO DISCLOSURE</u>	64
<u>FURTHER INFORMATION</u>	64
<u>FEDERAL TAX INFORMATION</u>	64
<u>MFS® PRIVACY NOTICE</u>	65
<u>CONTACT INFORMATION</u>	BACK COVER

NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

Table of Contents

LETTER FROM THE CEO

Dear Shareholders:

There remains some question as to when the global economy will achieve a sustainable recovery. While some economists and market watchers are optimistic that the worst is behind us, a number also agree with U.S. Federal Reserve Board Chairman Ben Bernanke who said in September that even though from a technical perspective the recession is very likely over at this point, it's still going to feel like a very weak economy for some time.

Have we in fact turned the corner? We have seen tremendous rallies in the markets over the past six months. The Fed has cut interest rates aggressively toward zero to support credit markets, global deleveraging has helped diminish inflationary concerns, and stimulus measures have put more money in the hands of the government and individuals to keep the economy moving. Still, unemployment remains high, consumer confidence and spending continue to waiver, and the housing market, while improving, has a long way to go to recover.

Regardless of lingering market uncertainties, MFS® is confident that the fundamental principles of long-term investing will always apply. We encourage investors to speak with their advisors to identify and research long-term investment opportunities thoroughly. Global research continues to be one of the hallmarks of MFS, along with a unique collaboration between our portfolio managers and sector analysts, who regularly discuss potential investments before making both buy and sell decisions.

As we continue to dig out from the worst financial crisis in decades, keep in mind that while the road back to sustainable recovery will be slow, gradual, and even bumpy at times, conditions are significantly better than they were six months ago.

Respectfully,

Robert J. Manning

Chief Executive Officer and Chief Investment Officer

MFS Investment Management®

December 15, 2009

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**

Mirant Americas Generation LLC, 8.5%, 2021	1.5%
Apache Corp.	1.0%
Medtronic, Inc.	1.0%
Procter & Gamble	1.0%
GMAC LLC, 6.875%, 2011	0.9%
PNC Financial Services Group	0.9%
Goldman Sachs Group, Inc.	0.9%
CVS Caremark Corp.	0.9%
Noble Energy, Inc.	0.9%
Ford Motor Credit Company, 12.0%, 2015	0.9%

Credit quality of bonds (r)

AAA	2.9%
A	0.4%
BBB	3.0%
BB	15.7%
B	38.1%
CCC	29.7%
CC	3.0%
C	0.7%
D	3.0%
Not Rated	3.5%

Portfolio facts

Average Duration (d)(i)	3.6
Average Effective Maturity (i)(m)	5.6 yrs.
Average Credit Quality of Rated Securities (long-term) (a)	B
Average Credit Quality of Rated Securities (short-term) (a)(c)	A-1

Table of Contents

Portfolio Composition continued

- (a) The average credit quality of rated securities is based upon a market weighted average of portfolio holdings that are rated by public rating agencies.
- (c) Includes holding in the MFS Institutional Money Market Portfolio which is not rated by a public rating agency. The average credit quality of rated securities (short-term) is based upon a market weighted average of the underlying holdings within the MFS Institutional Money Market Portfolio that are rated by public rating agencies.
- (d) Duration is a measure of how much a bond's price is likely to fluctuate with general changes in interest rates, e.g., if rates rise 1.00%, a bond with a 5-year duration is likely to lose about 5.00% of its value.
- (i) For purposes of this presentation, the bond component includes both accrued interest amounts and the equivalent exposure from any derivative holdings, if applicable.
- (m) In determining an instrument's effective maturity for purposes of calculating the fund's dollar-weighted average effective maturity, MFS uses the instrument's stated maturity or, if applicable, an earlier date on which MFS believes it is probable that a maturity-shortening device (such as a put, pre-refunding or prepayment) will cause the instrument to be repaid. Such an earlier date can be substantially shorter than the instrument's stated maturity.
- (o) Less than 0.1%.
- (r) Each security is assigned a rating from Moody's Investors Service. If not rated by Moody's, the rating will be that assigned by Standard & Poor's. Likewise, if not assigned a rating by Standard & Poor's, it will be based on the rating assigned by Fitch, Inc. For those portfolios that hold a security which is not rated by any of the three agencies, the security is considered Not Rated. Holdings in U.S. Treasuries and government agency mortgage-backed securities, if any, are included in the AAA-rating category. Percentages are based on the total market value of investments as of 10/31/09. Percentages are based on net assets as of 10/31/09, unless otherwise noted.

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

Table of Contents

MANAGEMENT REVIEW

Summary of Results

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

For the twelve months ended October 31, 2009, the MFS Special Value Trust provided a total return of 40.08%, at net asset value. This compares with a return of 48.10% for the fund's benchmark, the Barclays Capital U.S. High-Yield Corporate Bond Index (the High-Yield Index). The fund's other benchmarks, the Russell 1000 Value Index (the Value Index), and the Special Value Trust Blended Index (the Blended Index), generated returns of 4.78%, and 31.55%, respectively. The Blended Index reflects the blended returns of various equity and fixed income market indices, with percentage allocations to each index designed to resemble the allocations of the fund. The market indices and related percentage allocations used to compile the Blended Index are set forth in the Performance Summary.

Market Environment

The global economy and financial markets experienced substantial deterioration and extraordinary volatility over most of the reporting period. Through the first quarter of 2009, the strong headwinds in the U.S. included accelerated deterioration in the housing market, anemic corporate investment, a rapidly declining job market, and a much tighter credit environment. During the very early stages of the period, a series of tumultuous financial events hammered markets. As a result of this turbulent news, global equity markets pushed significantly lower and credit markets witnessed the worst market decline since the beginning of the credit crisis. The synchronized global downturn in economic activity experienced in the fourth quarter of 2008 and the first quarter of 2009 was among the most intense in the post-World War II period. Not only did Europe and Japan fall into very deep recessions, but an increasingly powerful engine of global growth—emerging markets—also contracted almost across the board. The subsequent recovery in global activity has been similarly synchronized, 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, as well as massive fiscal and monetary stimulus. As a result, credit conditions and equity indices improved considerably during the second half of the period. Nevertheless, the degree of financial and macroeconomic dislocation remained significant.

During the first half of the reporting period, the Fed implemented its final interest rate cut, while making increasing use of its new lending facilities to alleviate ever-tightening credit markets. On the fiscal front, the U.S. Treasury

Table of Contents

Management Review continued

designed and began implementing a massive fiscal stimulus package. As inflationary concerns diminished in the face of global deleveraging, and equity and credit markets deteriorated more sharply, central banks around the world also cut interest rates dramatically. Globally, policy makers increasingly sought to coordinate their rescue efforts, which resulted in a number of international actions, such as the establishment of swap lines between the Federal Reserve and a number of other central banks, as well as a substantial increase in the financial resources of the International Monetary Fund. By the middle of the period, several central banks had approached their lower bound on policy rates and were examining the implementation and ramifications of quantitative easing as a means to further loosen monetary policy to offset the continuing fall in global economic activity. However, by the end of the period, there were broadening signs that the worst of the global macroeconomic deterioration had passed, which caused the subsequent rise in asset valuations. As most asset prices rebounded in the second half of the period and the demand for liquidity waned, the debate concerning monetary exit strategies had begun, creating added uncertainty regarding the forward path of policy rates.

Detractors from Performance

Within the fixed income portion of the fund, credit quality, particularly a lesser exposure to BB and CCC rated (s) securities, held back performance relative to the High-Yield Index. The fund's lesser exposure to corporate bonds in the *industrial* sector also detracted from relative results. Holdings of individual debt securities that hurt relative returns included Young Broadcasting, Charter Communications, NRG Energy, Continental Airlines, Bank of America, and Trump Entertainment.

Within the equity portion of the fund, stock selection in the *utilities and communications* sector hurt performance relative to the Value Index. Holdings of natural gas producer Dynegy (g) were among the fund's top detractors. An overweighted position in power generation company NRG Energy also hindered performance as this stock underperformed the Value Index.

An underweighted position in the *technology* sector held back performance relative to the Value Index. No individual securities within this sector were among the fund's top detractors for the reporting period.

Stocks in other sectors that dampened results included Spanish radio station operator Spanish Broadcasting Systems (aa), biotechnology firm Amgen (g), entertainment company MGM Mirage (g), and integrated energy company Chevron (g). The timing of our transactions in investment banking firm Goldman Sachs also hurt relative returns. The fund purchased this security toward the end of the reporting period, missing out on the stock's earlier price increases.

Table of Contents

Management Review continued

Contributors to Performance

Within the fixed income portion of the fund, the return from yield, which was greater than that of the High-Yield Index, was a key contributor to performance. A greater exposure to B rated securities also helped relative performance. Top contributing securities to the fund's relative returns included the debt of Nuveen Investments, Spanish television network Univision, Ford Motor Credit Company, flash memory products company Spansion, Allison Transmission, packaging company Jefferson Smurfit, and General Motors Acceptance Corp. (GMAC).

Within the equity portion of the fund, stock selection and an overweighted position in the *autos and housing* sector boosted performance relative to the Value Index. Holdings of home improvement products maker Masco Corp (g) and home builder D.R. Horton (g) benefited results as both stocks significantly outperformed the Value Index over the reporting period.

Stock selection in the *financial services* sector was another positive factor for relative performance. The timing of our ownership in shares of Bank of America, and not holding poor-performing Citigroup, aided relative results.

Stock selection and an underweighted position in the *consumer staples* sector bolstered returns relative to the Value Index. Purchasing shares of household products maker Procter & Gamble (g) in the last quarter of the reporting period helped performance as we were able to avoid the stock's price decline earlier in the reporting period.

Elsewhere, holdings of casino operator Pinnacle Entertainment (aa)(g), cable TV service provider Cablevision (g), and package manufacturer Owens-Illinois (g) were among the fund's top contributors. Not holding poor-performing diversified industrial conglomerate General Electric, and the timing of our ownership in shares of integrated oil and gas company Exxon Mobil were both additional positive factors for relative results.

Respectfully,

John Addeo
Portfolio Manager

David Cole
Portfolio Manager

Brooks Taylor
Portfolio Manager

(aa) Security is not a benchmark constituent.

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

(s) Bonds rated BBB, Baa, or higher are considered investment grade; bonds rated BB, Ba, or below are considered non-investment grade. The primary source for bond quality ratings is Moody's Investors Service. If not available, ratings by Standard & Poor's are used, else ratings by Fitch, Inc. For securities which are not rated by any of the three agencies, the security is considered Not Rated.

Note to Shareholders: Effective September 17, 2009, Brooks Taylor became a co-manager of the fund.

Table of Contents

Management Review continued

The views expressed in this report are those of the portfolio managers only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or an indication of trading intent on behalf of any MFS portfolio. References to specific securities are not recommendations of such securities, and may not be representative of any MFS portfolio's current or future investments.

Table of Contents**PERFORMANCE SUMMARY** THROUGH 10/31/09

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

Price Summary for MFS Special Value Trust

Year Ended 10/31/09

	Date	Price
Net Asset Value	10/31/09	\$6.71
	10/31/08	\$5.36
New York Stock Exchange Price	10/31/09	\$6.23
	9/28/09 (high) (t)	\$6.39
	11/20/08 (low) (t)	\$3.10
	10/31/08	\$4.75

Total Returns vs Benchmarks

Year Ended 10/31/09

MFS Special Value Trust at	
New York Stock Exchange Price (r)	46.76%
Net Asset Value (r)	40.08%
Barclays Capital U.S. High-Yield Corporate Bond Index (f)	48.10%
Special Value Trust Blended Index (f)(x)	31.55%

(f) Source: FactSet Research Systems Inc.

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

(t) For the period November 1, 2008 through October 31, 2009.

(x) Special Value Trust Blended Index is at a point in time and allocations during the period can change. As of October 31, 2009 the blended index was comprised of 57.50% Barclays Capital U.S. High-Yield Corporate Bond Index, 35% Russell 1000 Value Index, and 7.50% JPMorgan Emerging Market Bond Index Global.

Benchmark Definitions

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

Table of Contents

Performance Summary continued

non-investment grade, fixed rate debt. Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded.

JPMorgan Emerging Markets Bond Index Global measures the performance of U.S.-dollar- denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds. This index generated a total return of 39.64% for the year ended October 31, 2009.

Russell 1000 Value Index constructed to provide a comprehensive barometer for the value securities in the large-cap segment of the U.S. equity universe. Companies in this index generally have lower price-to-book ratios and lower forecasted growth values. This index generated a total return of 4.78% for the year ended October 31, 2009.

It is not possible to invest directly in an index.

Notes to Performance Summary

The fund's shares may trade at a discount 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. It may also result in a recharacterization of what economically represents a return of capital to ordinary income. 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 may increase 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.

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

Table of Contents

INVESTMENT OBJECTIVE, PRINCIPAL INVESTMENT STRATEGIES AND RISKS OF THE FUND

Investment Objective

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

Principal Investment Strategies

MFS 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.

Table of Contents

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

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. 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. 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.

Table of Contents

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.

Table of Contents

DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

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

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

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

If you have any questions or for further information or a copy of the Plan, contact the Plan Agent Computershare Trust Company, N.A. (the Transfer

Table of Contents

Dividend Reinvestment and Cash Purchase Plan continued

Agent for the fund) at 1-800-637-2304, at the Plan Agent's website at www.computershare.com, or by writing to the Plan Agent at P.O. Box 43078, Providence, RI 02940-3078.

The following changes in the Plan took effect on September 1, 2009:

When dividend reinvestment is being made through purchases in the open market, such purchases will be made on or shortly after the payment date for such distribution (except where temporary limits on purchases are legally required) and in no event more than 15 days thereafter (instead of 45 days as previously specified).

In an instance where the Plan Agent either cannot invest the full amount of the distribution through open market purchases or the fund's shares are no longer selling at a discount to the current net asset value per share, the fund will supplementally issue additional shares at the greater of net asset value per share or 95% of the current market value price per share calculated on the date that such request is made (instead of the distribution date net asset value as previously specified). This price may be greater or lesser than the fund's net asset value per share on the distribution payment date.

Table of Contents**PORTFOLIO OF INVESTMENTS**

10/31/09

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

Bonds - 67.9%		
Issuer	Shares/Par	Value (\$)
Aerospace - 0.7%		
Bombardier, Inc., 6.3%, 2014 (n)	\$ 100,000	\$ 98,000
Hawker Beechcraft Acquisition Co. LLC, 8.5%, 2015	253,000	196,708
Spirit AeroSystems Holdings, Inc., 7.5%, 2017 (n)	45,000	44,648
		\$ 339,356
Airlines - 1.1%		
American Airlines Pass-Through Trust, 6.817%, 2011	\$ 155,000	\$ 148,025
American Airlines Pass-Through Trust, 10.375%, 2019	70,000	77,525
Continental Airlines, Inc., 7.339%, 2014	322,000	289,800
		\$ 515,350
Apparel Manufacturers - 0.2%		
Levi Strauss & Co., 9.75%, 2015	\$ 80,000	\$ 83,600
Propex Fabrics, Inc., 10%, 2012 (d)	395,000	202
		\$ 83,802
Asset Backed & Securitized - 3.6%		
Anthracite Ltd., CDO, 6%, 2037 (z)	\$ 450,000	\$ 31,500
Banc of America Commercial Mortgage, Inc., 5.772%, 2051	332,318	249,223
Banc of America Commercial Mortgage, Inc., FRN, 6.002%, 2051	77,897	60,671
Banc of America Commercial Mortgage, Inc., FRN, 6.209%, 2051 (z)	328,951	83,330
Citigroup Commercial Mortgage Trust, FRN, 5.699%, 2049	220,000	52,241
Credit Suisse Mortgage Capital Certificate, 5.343%, 2039	72,952	52,884
Falcon Franchise Loan LLC, FRN, 3.895%, 2025 (i)(z)	412,941	30,392
JPMorgan Chase Commercial Mortgage Securities Corp., 5.466%, 2047	157,602	111,363
JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 5.746%, 2049	142,189	52,034
JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 5.746%, 2049	217,049	74,541
JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 5.746%, 2049	595,809	172,491
JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 6.062%, 2051	95,000	32,146
Merrill Lynch Mortgage Trust, FRN, 5.828%, 2050	95,000	31,818
Merrill Lynch/Countrywide Commercial Mortgage Trust, 5.204%, 2049	249,789	196,895
Merrill Lynch/Countrywide Commercial Mortgage Trust, FRN, 5.748%, 2050	64,000	45,309

Table of Contents*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Asset Backed & Securitized - continued		
Merrill Lynch/Countrywide Commercial Mortgage Trust, FRN, 5.748%, 2050	\$ 145,000	\$ 122,058
Morgan Stanley Capital I, Inc., FRN, 1.26%, 2039 (i)(z)	617,036	18,511
Preferred Term Securities XII Ltd., CDO, 0%, 2033 (a)(e)(z)	225,000	23
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, 5.692%, 2047	142,497	25,336
Wachovia Bank Commercial Mortgage Trust, FRN, 5.752%, 2047	89,972	14,612
Wachovia Bank Commercial Mortgage Trust, FRN, 5.902%, 2051	251,812	169,810
		\$ 1,627,237
Automotive - 2.4%		
Allison Transmission, Inc., 11%, 2015 (n)	\$ 290,000	\$ 295,800
Ford Motor Credit Co. LLC, 9.75%, 2010	285,000	292,162
Ford Motor Credit Co. LLC, 12%, 2015	335,000	377,267
Goodyear Tire & Rubber Co., 10.5%, 2016	105,000	113,663
		\$ 1,078,892
Broadcasting - 4.6%		
Allbritton Communications Co., 7.75%, 2012	\$ 320,000	\$ 302,400
Bonten Media Acquisition Co., 9.75%, 2015 (p)(z)	173,043	55,341
CanWest MediaWorks LP, 9.25%, 2015 (d)(n)	130,000	26,000
Clear Channel Communications, Inc., 10.75%, 2016	70,000	37,800
Intelsat Jackson Holdings Ltd., 9.5%, 2016	260,000	273,000
Lamar Media Corp., 6.625%, 2015	185,000	176,675
LBI Media Holdings, Inc., 11%, 2013	425,000	268,281
LBI Media, Inc., 8.5%, 2017 (z)	90,000	63,113
LIN TV Corp., 6.5%, 2013	160,000	150,000
Local TV Finance LLC, 10%, 2015 (p)(z)	220,500	69,213
Newport Television LLC, 13%, 2017 (n)(p)	270,281	89,540
Nexstar Broadcasting Group, Inc., 0.5% to 2011, 7% to 2014 (n)(p)	209,424	140,265
Nexstar Broadcasting Group, Inc., 7%, 2014	69,000	46,403
Sinclair Broadcast Group, Inc., 9.25%, 2017 (n)	55,000	54,175
Univision Communications, Inc., 12%, 2014 (n)	65,000	70,281
Univision Communications, Inc., 10.5%, 2015 (n)(p)	347,325	264,213
Young Broadcasting, Inc., 8.75%, 2014 (d)	405,000	4,050
		\$ 2,090,750
Brokerage & Asset Managers - 0.6%		
Janus Capital Group, Inc., 6.95%, 2017	\$ 205,000	\$ 194,873
Nuveen Investments, Inc., 10.5%, 2015 (n)	110,000	97,350
		\$ 292,223

Table of Contents*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Building - 2.3%		
Associated Materials LLC, 9.875%, 2016 (z)	\$ 15,000	\$ 15,375
Associated Materials, Inc., 9.75%, 2012	75,000	76,500
Associated Materials, Inc., 11.25%, 2014	230,000	211,600
Building Materials Corp. of America, 7.75%, 2014	170,000	167,450
Nortek, Inc., 10%, 2013	160,000	162,000
Nortek, Inc., 8.5%, 2014 (d)	205,000	148,113
Owens Corning, 9%, 2019	90,000	97,640
Ply Gem Industries, Inc., 11.75%, 2013	165,000	154,688
USG Corp., 9.75%, 2014 (n)	10,000	10,500
		\$ 1,043,866
Business Services - 2.0%		
First Data Corp., 9.875%, 2015	\$ 250,000	\$ 230,625
First Data Corp., 11.25%, 2016	95,000	85,500
Iron Mountain, Inc., 6.625%, 2016	140,000	136,850
SunGard Data Systems, Inc., 9.125%, 2013	45,000	45,788
SunGard Data Systems, Inc., 10.25%, 2015	325,000	335,156
Terremark Worldwide, Inc., 12%, 2017 (n)	55,000	60,775
		\$ 894,694
Cable TV - 2.7%		
CCO Holdings LLC, 8.75%, 2013	\$ 305,000	\$ 307,340
Charter Communications, Inc., 10.375%, 2014 (n)	105,000	106,838
Charter Communications, Inc., 12.875%, 2014 (n)	70,000	77,350
CSC Holdings, Inc., 8.5%, 2014 (n)	50,000	52,813
CSC Holdings, Inc., 8.5%, 2015 (n)	165,000	174,281
Mediacom LLC, 9.125%, 2019 (n)	65,000	67,113
Videotron LTEE, 6.875%, 2014	45,000	45,000
Virgin Media Finance PLC, 9.125%, 2016	303,000	312,090
Virgin Media Finance PLC, 9.5%, 2016	100,000	105,750
		\$ 1,248,575
Chemicals - 1.5%		
Huntsman International LLC, 5.5%, 2016 (n)	\$ 75,000	\$ 64,875
Lumena Resources Corp., 12%, 2014 (z)	250,000	230,000
Momentive Performance Materials, Inc., 12.5%, 2014 (n)	163,000	170,335
Momentive Performance Materials, Inc., 11.5%, 2016	92,000	69,000
Nalco Co., 8.875%, 2013	95,000	97,850
NOVA Chemicals Corp., 8.375%, 2016 (n)	45,000	45,225
		\$ 677,285
Construction - 0.1%		
Lennar Corp., 12.25%, 2017	\$ 60,000	\$ 72,000

Table of Contents*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Consumer Products - 0.4%		
ACCO Brands Corp., 10.625%, 2015 (n)	\$ 15,000	\$ 16,050
ACCO Brands Corp., 7.625%, 2015	60,000	54,300
Visant Holding Corp., 8.75%, 2013	95,000	97,138
		\$ 167,488
Consumer Services - 1.0%		
KAR Holdings, Inc., 10%, 2015	\$ 215,000	\$ 220,375
KAR Holdings, Inc., FRN, 4.483%, 2014	75,000	68,813
Ticketmaster Entertainment, Inc., 10.75%, 2016	180,000	185,400
		\$ 474,588
Containers - 0.7%		
Graham Packaging Holdings Co., 9.875%, 2014	\$ 305,000	\$ 311,100
Electronics - 0.5%		
Avago Technologies Ltd., 11.875%, 2015	\$ 105,000	\$ 114,975
Freescale Semiconductor, Inc., 8.875%, 2014	165,000	134,063
		\$ 249,038
Emerging Market Quasi-Sovereign - 0.5%		
OAO Gazprom, 9.625%, 2013	\$ 60,000	\$ 66,300
Petroleos de Venezuela S.A., 5.25%, 2017	250,000	146,500
		\$ 212,800
Emerging Market Sovereign - 0.3%		
Republic of Argentina, 7%, 2011	\$ 167,000	\$ 153,974
Energy - Independent - 4.4%		
Berry Petroleum Co., 10.25%, 2014	\$ 85,000	\$ 90,950
Chaparral Energy, Inc., 8.875%, 2017	165,000	144,788
Chesapeake Energy Corp., 9.5%, 2015	45,000	48,713
Forest Oil Corp., 8.5%, 2014 (n)	110,000	111,650
Hilcorp Energy I LP, 9%, 2016 (n)	160,000	160,000
McMoRan Exploration Co., 11.875%, 2014	160,000	161,200
Newfield Exploration Co., 6.625%, 2016	50,000	49,250
OPTI Canada, Inc., 8.25%, 2014	140,000	109,900
Penn Virginia Corp., 10.375%, 2016	160,000	172,000
Petrohawk Energy Corp., 10.5%, 2014	60,000	65,400
Pioneer Natural Resource Co., 6.875%, 2018	105,000	100,412
Quicksilver Resources, Inc., 8.25%, 2015	160,000	156,400
Quicksilver Resources, Inc., 7.125%, 2016	120,000	107,700
Range Resources Corp., 8%, 2019	145,000	150,438
SandRidge Energy, Inc., 9.875%, 2016 (n)	40,000	42,800

Table of Contents*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Energy - Independent - continued		
SandRidge Energy, Inc., 8%, 2018 (n)	\$ 235,000	\$ 232,650
Southwestern Energy Co., 7.5%, 2018	105,000	107,888
		\$ 2,012,139
Energy - Integrated - 0.2%		
CCL Finance Ltd., 9.5%, 2014 (n)	\$ 105,000	\$ 111,694
Entertainment - 1.0%		
AMC Entertainment, Inc., 11%, 2016	\$ 155,000	\$ 162,750
AMC Entertainment, Inc., 8.75%, 2019	200,000	205,000
Cinemark USA, Inc., 8.625%, 2019 (n)	50,000	51,750
Universal City Development Partners Ltd., 8.875%, 2015 (z)	25,000	24,750
		\$ 444,250
Financial Institutions - 1.6%		
GMAC LLC, 6.875%, 2011 (n)	\$ 438,000	\$ 420,480
GMAC LLC, 7%, 2012 (n)	80,000	76,400
GMAC LLC, 6.75%, 2014 (n)	125,000	113,438
GMAC LLC, 8%, 2031 (n)	44,000	37,620
International Lease Finance Corp., 5.625%, 2013	130,000	98,751
		\$ 746,689
Food & Beverages - 0.7%		
ARAMARK Corp., 8.5%, 2015	\$ 105,000	\$ 106,050
Dean Foods Co., 7%, 2016	150,000	145,500
Pinnacle Foods Finance LLC, 9.25%, 2015	75,000	75,750
		\$ 327,300
Forest & Paper Products - 2.4%		
Abitibi-Consolidated, Inc., 7.4%, 2018 (d)	\$ 130,000	\$ 18,525
Cellu Tissue Holdings, Inc., 11.5%, 2014	175,000	191,625
Georgia-Pacific Corp., 7.125%, 2017 (n)	115,000	116,150
Georgia-Pacific Corp., 8%, 2024	75,000	75,750
Jefferson Smurfit Corp., 8.25%, 2012 (d)	335,000	257,950
JSG Funding PLC, 7.75%, 2015	30,000	27,600
Millar Western Forest Products Ltd., 7.75%, 2013	470,000	343,100
Smurfit-Stone Container Corp., 8%, 2017 (d)	61,000	46,970
		\$ 1,077,670
Gaming & Lodging - 6.0%		
American Casino & Entertainment, 11%, 2014 (n)	\$ 75,000	\$ 66,000
Ameristar Casinos, Inc., 9.25%, 2014 (n)	65,000	67,600
Boyd Gaming Corp., 6.75%, 2014	225,000	203,625

Table of Contents*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
Bonds - continued		
Gaming & Lodging - continued		
Firekeepers Development Authority, 13.875%, 2015 (n)	\$ 190,000	\$ 205,200
Fontainebleau Las Vegas Holdings LLC, 10.25%, 2015 (d)(n)	290,000	10,150
Harrah s Operating Co., Inc., 11.25%, 2017 (n)	100,000	102,000
Harrah s Operating Co., Inc., 10%, 2018 (n)	66,000	50,160
Harrah s Operating Co., Inc., 10%, 2018 (n)	355,000	269,800
Host Hotels & Resorts, Inc., 7.125%, 2013	75,000	74,625
Host Hotels & Resorts, Inc., 6.75%, 2016	75,000	71,438
Host Hotels & Resorts, Inc., 9%, 2017 (n)	65,000	69,550
MGM Mirage, 6.75%, 2013	245,000	202,125
MGM Mirage, 10.375%, 2014 (n)	20,000	21,300
MGM Mirage, 7.5%, 2016	140,000	107,100
MGM Mirage, 11.125%, 2017 (n)	60,000	66,000
MTR Gaming Group, Inc., 9%, 2012	80,000	66,400
Newland International Properties Corp., 9.5%, 2014 (n)	156,000	137,280
Penn National Gaming, Inc., 8.75%, 2019 (n)	105,000	102,638
Pinnacle Entertainment, Inc., 7.5%, 2015	385,000	346,500
Royal Caribbean Cruises Ltd., 7%, 2013	95,000	91,675
Royal Caribbean Cruises Ltd., 11.875%, 2015	90,000	101,025
Starwood Hotels & Resorts Worldwide, Inc., 7.875%, 2012	40,000	41,600
Starwood Hotels & Resorts Worldwide, Inc., 6.75%, 2018	55,000	52,938
Station Casinos, Inc., 6%, 2012 (d)	208,000	47,060
Station Casinos, Inc., 6.5%, 2014 (d)	345,000	13,800
Station Casinos, Inc., 6.875%, 2016 (d)	565,000	22,600
Station Casinos, Inc., 7.75%, 2016 (d)	72,000	17,460
Wyndham Worldwide Corp., 6%, 2016	150,000	136,554
		\$ 2,764,203
Industrial - 0.8%		
Baldor Electric Co., 8.625%, 2017	\$ 105,000	\$ 108,150
JohnsonDiversey, Inc., 9.625%, 2012	EUR 70,000	104,303
JohnsonDiversey, Inc., B , 9.625%, 2012	\$ 140,000	142,100
		\$ 354,553
Insurance - 0.1%		
ING Groep N.V., 5.775% to 2015, FRN to 2049	\$ 80,000	\$ 58,400
Insurance - Property & Casualty - 0.9%		
Liberty Mutual Group, Inc., 10.75% to 2038, FRN to 2088 (n)	\$ 125,000	\$ 131,250
USI Holdings Corp., 9.75%, 2015 (z)	310,000	275,900
		\$ 407,150