

MFS HIGH YIELD MUNICIPAL TRUST  
Form N-CSR  
February 06, 2009  
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 811-4992

**MFS HIGH YIELD MUNICIPAL 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: November 30

Date of reporting period: November 30, 2008

**Table of Contents**

**ITEM 1. REPORTS TO STOCKHOLDERS.**

Table of Contents

Annual report

MFS® High Yield Municipal Trust

11/30/08

CMU-ANN

Table of Contents

# MFS® High Yield Municipal Trust

<u>LETTER FROM THE CEO</u>	1
<u>PORTFOLIO COMPOSITION</u>	2
<u>MANAGEMENT REVIEW</u>	4
<u>PERFORMANCE SUMMARY</u>	7
<u>INVESTMENT OBJECTIVE, PRINCIPAL INVESTMENT STRATEGIES AND RISKS OF THE FUND</u>	9
<u>PORTFOLIO MANAGERS' PROFILES</u>	11
<u>DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN</u>	12
<u>PORTFOLIO OF INVESTMENTS</u>	13
<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>	36
<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	46
<u>RESULTS OF SHAREHOLDER MEETING</u>	47
<u>TRUSTEES AND OFFICERS</u>	48
<u>BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT</u>	54
<u>PROXY VOTING POLICIES AND INFORMATION</u>	59
<u>QUARTERLY PORTFOLIO DISCLOSURE</u>	59
<u>FEDERAL TAX INFORMATION</u>	59
<b><u>MFS® PRIVACY NOTICE</u></b>	<b>60</b>
<u>CONTACT INFORMATION</u> BACK COVER	

New York Stock Exchange Symbol: CMU

NOT FDIC INSURED    MAY LOSE VALUE

NO BANK GUARANTEE

**Table of Contents**

## LETTER FROM THE CEO

Dear Shareholders:

The global economy is not a very welcoming place these days. Headlines tell the story of slowing growth, accelerating inflation, and credit collapse. We have watched the rampant selling that has typified equity and credit markets since the strains in the financial system first became apparent last year.

The volatility in commodity and currency markets has further complicated investment choices. There are so many parts moving in so many directions; it has become very easy to get overwhelmed.

At MFS® we remind investors to keep their eye on the long term and not become panicked by the uncertainty of the day to day.

Remember that what goes down could very easily come back up. And that is where we as money managers like to turn our focus.

Investment opportunities may arise in declining markets. When markets experience substantial selloffs, assets often become undervalued. At MFS, we have a team of global sector analysts located in Boston, London, Mexico City, Singapore, Sydney, and Tokyo working together to do the kind of bottom-up research that will root out these investment opportunities.

In times like these, we encourage our investors to check in with their advisors to ensure they have an investment plan in place that will pay heed to the present, but that is firmly tailored to the future.

Respectfully,

Robert J. Manning

Chief Executive Officer and Chief Investment Officer

MFS Investment Management®

January 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****Top five industries (i)**

Healthcare Revenue	Hospitals	22.3%
Healthcare Revenue	Long-term Care	17.3%
Tax Assessment		8.1%
Tobacco		6.2%
Multi-Family Housing Revenue		5.2%

**Credit quality of bonds (r)**

AAA	11.6%
AA	8.8%
A	10.3%
BBB	26.3%
BB	6.1%
B	1.6%
CCC	1.6%
Not Rated	33.7%

**Portfolio structure reflecting equivalent exposure of derivative positions (i)****Portfolio facts**

Average Duration (d)(i)	9.1
Average Life (i)(m)	13.8 yrs.
Average Maturity (i)(m)	16.3 yrs.
Average Credit Quality of Rated Securities (long-term) (a)	A-

(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.

(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 accrued interest amounts and may be positively or negatively impacted by the equivalent exposure from any derivative holdings, if applicable.

\* The fund holds short treasury futures with equivalent bond exposure of (36.9)% for the purposes of managing the fund's duration.

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- (m) The average maturity shown is calculated using the final stated maturity on the portfolio's holdings without taking into account any holdings which have been pre-refunded or pre-paid to an earlier date or which have a mandatory put date prior to the stated maturity. The average life shown takes into account these earlier dates.

**Table of Contents**

*Portfolio Composition continued*

(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 11/30/08.

Percentages are based on net assets, including the value of auction preferred shares, as of 11/30/08, unless otherwise noted.

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



**Table of Contents**

## MANAGEMENT REVIEW

The MFS High Yield Municipal Trust (the fund) is a closed-end fund investing in investment-grade and high-yield municipal debt.

For the twelve months ended November 30, 2008, shares of the MFS High Yield Municipal Trust provided a total return of 29.90%, at net asset value. This compares with a return of 3.61% for the fund's benchmark, the Barclays Capital Municipal Bond Index (formerly the Lehman Brothers Municipal Bond Index).

### Market Environment

The U.S. economy and financial markets experienced significant deterioration and extraordinary volatility over the reporting period. U.S. economic growth slowed significantly, despite the short-term bounce from the second quarter fiscal stimulus. Strong domestic headwinds included accelerated deterioration in the housing market, anemic corporate investment, a markedly weaker job market, and a much tighter credit environment. During the second half of the period, a seemingly continuous series of tumultuous financial events hammered markets, including: the distressed sale of failing Bear Stearns to JPMorgan, the conservatorship of Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac, the bankruptcy of investment bank Lehman Brothers, the Federal Reserve Bank's complex intervention of insurance company American International Group (AIG), the nationalization of several large European banks, the failure of Washington Mutual, and the distressed sale of Wachovia. As a result of this barrage of turbulent news, global equity markets pushed significantly lower and credit markets witnessed the worst dislocation since the beginning of the credit crisis.

While reasonably resilient during the first half of the period, the global economy and financial system increasingly experienced considerable negative spillovers from the U.S. slowdown. Not only did Europe and Japan show obvious signs of economic softening, the more powerful engine of global growth—emerging markets—also began to display weakening dynamics.

During the reporting period, the U.S. Federal Reserve Board cut interest rates aggressively and introduced a multitude of new lending facilities to alleviate ever-tightening credit markets, while the U.S. federal government moved quickly to design and implement a meaningful fiscal stimulus package. Although several other global central banks also cut rates, the dilemma of rising energy and food prices heightened concerns among central bankers that inflationary expectations might become unhinged despite weaker growth. Only late in the reporting period did slowing global growth result in a precipitous decline in commodity prices, which began to ease inflation and inflationary expectations. As inflationary concerns diminished in the face of global

## **Table of Contents**

### *Management Review continued*

deleveraging, and equity and credit markets deteriorated more sharply, a coordinated rate cut marked the beginning of much more aggressive easing by the major global central banks.

The municipal bond market faced an unprecedented amount of challenges over the past 15 months, which led to a broad-based decline in bond prices, an increase in yields, and a significant increase in spreads between higher-rated securities and lower-rated or non-rated securities. Among the factors leading to the decline in prices and the widening of spreads were the downgrading from AAA, by at least one of the major rating agencies, the majority of the monoline bond insurers and the unwinding of leverage by non-traditional participants in the municipal bond market.

During the reporting period, demand for municipal debt decreased. This lack of demand for municipal debt was a primary reason behind the increase in interest rates on longer-dated municipal bonds. In recent years, non-traditional buyers of municipal bonds, such as arbitrageurs and leveraged accounts, became important investors in the municipal markets. These investors, in many instances, became net sellers of municipal debt over the investment period. This selling pressure tipped the balance between supply and demand causing rates to rise on the long end of the curve.

### **Factors Affecting Performance**

Credit quality was the primary factor that detracted from the fund's performance relative to the Barclays Capital Municipal Bond Index. The fund's overweight in BBB rated (s) and below-investment-grade securities held back relative returns as spreads between high grade and high yield municipals widened. (The Barclays Capital Municipal Bond Index is composed primarily of higher-grade securities with no bonds rated below BBB ).

The fund's duration (d) positioning also held back relative results as interest rates on municipal bonds with maturities beyond seven years increased during the reporting period. This rise in municipal bond rates was in contrast to what took place in the U.S. Treasury market, where rates declined across the maturity spectrum. The fund chose to use U.S. Treasury futures as a hedge to shorten duration. The value of our short position in U.S. Treasury futures decreased in value as Treasury prices rallied, thus negatively impacting performance of the fund.

Security selection and the fund's greater exposure to bonds in the *health care* and *industrial* sectors detracted from relative performance as these holdings underperformed the broad market. A relative overweight in airline bonds also held back results.

The fund employs leverage which has been created through the issuance of auction preferred shares. To the extent that investments are purchased through

**Table of Contents**

*Management Review continued*

leverage, the fund's net asset value will increase or decrease at a greater rate than a comparable unleveraged fund. Therefore, during the reporting period, the fund's use of leverage further hampered the fund's performance.

Over the reporting period, the fund's underweight in the *credit enhanced* sector contributed to performance.

Respectfully,

Gary Lasman  
Portfolio Manager

Geoffrey Schechter  
Portfolio Manager

(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.

(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.

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

**Table of Contents****PERFORMANCE SUMMARY** THROUGH 11/30/08

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.

**Price Summary**

Year Ended 11/30/08	Date	Price
Net Asset Value	11/30/08	\$3.48
	11/30/07	\$5.34
New York Stock Exchange Price	11/30/08	\$3.04
	2/13/08 (high) (t)	\$5.45
	10/10/08 (low) (t)	\$2.45
	11/30/07	\$4.90

**Total Returns vs Benchmarks**

Year Ended 11/30/08

New York Stock Exchange Price (r)	(33.26)%
Net Asset Value (r)	(29.90)%
Barclays Capital Municipal Bond Index (f)	(3.61)%

(f) Source: FactSet Research Systems, Inc.

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

(t) For the period December 1, 2007 through November 30, 2008.

**Benchmark Definition**

Barclays Capital Municipal Bond Index (formerly known as Lehman Brothers Municipal Bond Index) a market capitalization-weighted index that measures the performance of the tax-exempt bond market.

It is not possible to invest directly in an index.

**Notes to Performance Summary**

The fund's shares may trade at a discount or premium to net asset value. Shareholders do not have the right to cause the fund to repurchase their shares at net asset value. When fund shares trade at a premium, buyers pay more than the net asset value underlying fund shares, and shares purchased at a premium would receive less than the amount paid for them in the event of the

**Table of Contents**

*Performance Summary continued*

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.

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

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

**Table of Contents**

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

## **Investment Objective**

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

## **Principal Investment Strategies**

The fund invests, under normal market conditions, at least 80% of its net assets, including assets attributable to preferred shares and borrowings for investment purposes, in tax-exempt bonds and tax-exempt notes. This policy may not be changed without shareholder approval. Tax-exempt bonds and tax-exempt notes are municipal instruments, the interest of which is exempt from federal income tax. Interest from the fund's investments may be subject to the federal alternative minimum tax.

MFS may invest 25% or more of the fund's total assets in municipal instruments that finance similar projects, such as those relating to education, healthcare, housing, utilities, water, or sewers.

MFS may invest up to 100% of the fund's assets in lower quality debt instruments.

MFS may invest a relatively high percentage of the fund's assets in the debt instruments of a single issuer or a small number of issuers.

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 instruments and their issuers in light of current market, economic, political, and regulatory conditions. Factors considered 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 the instrument and its features may also be considered.

The fund uses leverage through the issuance of preferred shares and/or the creation of tender option bonds, and then investing the proceeds pursuant to its investment strategies. If approved by the fund's Board of Trustees, the fund may use leverage by other methods.

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

**Table of Contents**

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

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. Municipal instruments can be volatile and significantly affected by adverse tax or court rulings, legislative or political changes and the financial condition of the issuers and/or insurers of municipal instruments. If the Internal Revenue Service determines an issuer of a municipal security has not complied with applicable tax requirements, interest from the security could become taxable and the security could decline significantly in value. Derivatives can be highly volatile and involve risks in addition to those of the underlying indicator's 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. To the extent that investments are purchased with the proceeds from the issuance of preferred shares, the fund's net asset value will increase or decrease at a greater rate than a comparable unleveraged fund. To the extent that the fund participates in the creation of tender option bonds, it will hold more concentrated positions in individual securities and so its performance may be more volatile than the performance of more diversified funds. A tender option bond issue may terminate upon the occurrence of certain enumerated events, which would result in a reduction to the fund's leverage. In connection with the creation of tender option bonds and for other investment purposes, the fund may invest in inverse floating rate investments, whose potential income return is inversely related to changes in a floating interest rate. Inverse floating rate investments may provide investment leverage and be more volatile than other debt instruments. 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>.

Table of Contents

## PORTFOLIO MANAGERS PROFILES

Gary Lasman	Investment Officer of MFS; employed in the investment area of MFS since 2002. Portfolio manager of the fund since June 2007.
Geoffrey Schechter	Investment Officer of MFS; employed in the investment area of MFS since 1993. Portfolio manager of the fund since June 2007.



**Table of Contents**

## DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

The fund offers a Dividend Reinvestment and Cash Purchase Plan (the Plan) that allows common shareholders to reinvest either all of the distributions paid by the fund or only the long-term capital gains. 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 discounted price of either the net asset value or 95% of the market price, whichever is greater. Four times each year you can also buy shares. Investments may be made in any amount of \$100 or more in January, April, July and October on the 15th of the month 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. 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 and a check will be issued for the value of any fractional shares, the Plan Agent will sell your shares and send the proceeds to you, or you may sell your shares through your investment professional.

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**

11/30/08

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

**Municipal Bonds - 161.6%**

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Airport &amp; Port Revenue - 4.5%</b>		
Branson, MO, Regional Airport Transportation Development District Airport Rev., B, 6%, 2037	\$ 460,000	\$ 290,196
Dallas Fort Worth, TX, International Airport Rev. Improvement, B, FSA, 5%, 2025	3,000,000	2,433,900
New York, NY, City Industrial Development Authority Rev. (Terminal One Group Assn.), 5.5%, 2021	500,000	443,890
Port Authority NY & NJ, Cons Thirty Seventh, FSA, 5.125%, 2030	1,450,000	1,225,830
		\$ 4,393,816
<b>General Obligations - General Purpose - 0.4%</b>		
Puerto Rico Government Development Bank, B, 5%, 2015	\$ 400,000	\$ 385,856
<b>General Obligations - Schools - 0.8%</b>		
Irving, TX, Independent School District, A, 0%, 2016	\$ 1,000,000	\$ 734,080
<b>Healthcare Revenue - Hospitals - 38.8%</b>		
Allegheny County, PA, Hospital Development Authority Rev. (West Penn Allegheny Health), A, 5%, 2028	\$ 435,000	\$ 255,288
Allegheny County, PA, Hospital Development Authority Rev. (West Penn Allegheny Health), A, 5.375%, 2040	625,000	351,231
Atchison, KS, Hospital Rev. (Atchison Hospital Assn.), A, 6.75%, 2030	320,000	249,485
Brunswick, GA, Hospital Authority Rev. (Glynn-Brunswick Memorial Hospital), 5.625%, 2034	170,000	136,235
California Statewide Communities Development Authority Rev. (Catholic Healthcare West) K, ASSD GTY, 5.5%, 2041	625,000	495,256
California Statewide Communities Development Authority Rev. (Catholic Healthcare West) L, ASSD GTY, 5.25%, 2041	870,000	660,817
California Statewide Communities Development Authority Rev. (Children's Hospital), 5%, 2047	290,000	171,399
California Statewide Communities Development Authority Rev. (St. Joseph Health System), FGIC, 5.75%, 2047	635,000	552,050
California Statewide Communities Development Authority Rev. (Sutter Health), B, 5.25%, 2048	1,200,000	963,744
Colorado Health Facilities Authority Rev. (Poudre Valley Health Care, Inc.), B, FSA, 5.25%, 2036	520,000	397,389
Colorado Health Facilities Authority Rev. (Poudre Valley Health Care, Inc.), C, FSA, 5.25%, 2040	520,000	391,321

13

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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Municipal Bonds - continued</b>		
Healthcare Revenue - Hospitals - continued		
Conway, AR, Hospital Rev. (Conway Regional Medical Center), A , 6.4%, 2029	\$ 350,000	\$ 288,323
Conway, AR, Hospital Rev. (Conway Regional Medical Center), B , 6.4%, 2029	850,000	700,213
Delaware County, PA, Authority Rev. (Mercy Health Corp.), ETM, 6%, 2016 (c)	965,000	1,031,788
Delaware County, PA, Authority Rev. (Mercy Health Corp.), ETM, 6%, 2026 (c)	500,000	508,345
Dickinson County, MI, Healthcare System Hospital Rev., 5.7%, 2018	770,000	649,834
Garden City, MI, Hospital Finance Authority Rev. (Garden City Hospital), 5%, 2038	500,000	273,660
Genesee County, NY, Industrial Development Agency Civic Facility Rev. (United Memorial Medical Center), 5%, 2027	90,000	59,502
Georgia Medical Center Hospital Authority Rev. (Columbus Regional Healthcare System, Inc.), ASSD GTY, 6.5%, 2038	1,315,000	1,219,268
Harris County, TX, Health Facilities Development Authority, Hospital Rev. (Memorial Hermann Healthcare Systems), B , 7.25%, 2035	310,000	308,555
Highland County, OH, Joint Township, Hospital District Facilities Rev., 6.75%, 2009 (c)	655,000	695,741
Idaho Health Facilities Authority Rev. (IHC Hospitals, Inc.), ETM, 6.65%, 2021 (c)	2,750,000	3,178,835
Illinois Finance Authority Rev. (Children s Memorial Hospital), A , ASSD GTY, 5.25%, 2047	870,000	650,203
Illinois Finance Authority Rev. (Edward Hospital), A , AMBAC, 5.5%, 2040	1,090,000	876,458
Illinois Finance Authority Rev. (Kewanee Hospital), 5.1%, 2031	425,000	262,909
Illinois Health Facilities Authority Rev. (Swedish American Hospital), 6.875%, 2010 (c)	500,000	532,670
Indiana Health & Educational Facilities Authority, Hospital Rev. (Community Foundation of Northwest Indiana), 5.5%, 2037	1,125,000	785,316
Indiana Health & Educational Facilities Finance Authority, Hospital Rev. (Clarian Health), A , 5%, 2039	1,745,000	1,154,911
Indiana Health & Educational Facilities Financing Authority Rev. (Sisters of St. Francis Health Services, Inc.), E , FSA, 5.25%, 2041	660,000	580,496
Indiana Health Facilities Financing Authority Rev. (Community Foundation of Northwest Indiana ), A , 6%, 2034	425,000	318,720
Jackson, TN, Town Hospital Rev. (Jackson-Madison County General Hospital), 5.75%, 2041	435,000	359,471
Johnson City, TN, Health & Educational Facilities Board Hospital Rev., (Mountain States Health), 5.5%, 2031	1,120,000	761,634
Johnson City, TN, Health & Educational Facilities Board Hospital Rev. (Mountain States Health), A , 5.5%, 2036	410,000	269,768

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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Municipal Bonds - continued</b>		
<b>Healthcare Revenue - Hospitals - continued</b>		
Knox County, TN, Health Educational & Housing Facilities, Board Rev. (University Health Systems, Inc.), 5.25%, 2036	\$ 415,000	\$ 274,477
Lake County, OH, Hospital Facilities Rev. (Lake Hospital Systems, Inc.), 5.625%, 2029	435,000	347,256
Louisiana Public Facilities Authority Hospital Rev. (Lake Charles Memorial Hospital), 6.375%, 2034	830,000	598,480
Louisville & Jefferson County, KY, Metro Government Health Facilities Rev. (Jewish Hospital, St. Mary's Healthcare), 6.125%, 2037	1,315,000	1,116,027
Louisville & Jefferson County, KY, Metropolitan Government Healthcare Systems Rev. (Norton Healthcare, Inc.), 5.25%, 2036	1,265,000	890,193
Lufkin, TX, Health Facilities Development Corp. Rev. (Memorial Health System), 5.5%, 2032	60,000	41,566
Lufkin, TX, Health Facilities Development Corp. Rev. (Memorial Health System), 5.5%, 2037	60,000	40,283
Maryland Health & Higher Educational Facilities Authority Rev. (Medstar Health), BHAC, 5.25%, 2046	440,000	393,378
Maryland Health & Higher Educational Facilities Authority Rev. (Washington County Hospital), 5.75%, 2038	80,000	55,584
Maryland Health & Higher Educational Facilities Authority Rev. (Washington County Hospital), 6%, 2043	120,000	84,986
Massachusetts Health & Educational Facilities Authority Rev. (Boston Medical Center), 5.25%, 2038	1,000,000	708,430
Massachusetts Health & Educational Facilities Authority Rev. (Jordan Hospital), E, 6.75%, 2033	250,000	192,088
Massachusetts Health & Educational Facilities Authority Rev. (Milford-Whitinsville Hospital), C, 5.25%, 2018	500,000	400,840
Massachusetts Health & Educational Facilities Authority Rev. (Quincy Medical Center), A, 6.5%, 2038	340,000	250,359
Minneapolis & St. Paul Redevelopment Authority Rev. (HealthPartners), 5.625%, 2022	200,000	157,030
Montgomery, AL, Medical Clinic Board Health Care Facility Rev. (Jackson Hospital & Clinic), 5.25%, 2031	125,000	86,193
Montgomery, AL, Medical Clinic Board Health Care Facility Rev. (Jackson Hospital & Clinic), 5.25%, 2036	620,000	412,604
New Hampshire Health & Educational Facilities Authority Rev. (Catholic Medical Center), A, 6.125%, 2012 (c)	175,000	199,083
New Hampshire Health & Educational Facilities Authority Rev. (Catholic Medical Center), A, 6.125%, 2032	25,000	18,222
New Hampshire Health & Educational Facilities Authority Rev. (Memorial Hospital at Conway), 5.25%, 2021	530,000	411,264
New Jersey Health Care Facilities, Financing Authority Rev. (St. Peter's University Hospital), 5.75%, 2037	545,000	403,191

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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Municipal Bonds - continued</b>		
Healthcare Revenue - Hospitals - continued		
New Mexico State Hospital Equipment Loan Council, Hospital Rev. (Rehoboth McKinley Christian Hospital), A, 5%, 2017	\$ 285,000	\$ 234,606
Olympia, WA, Healthcare Facilities Authority Rev. (Catholic Health Initiatives), D, 6.375%, 2036	1,095,000	1,035,224
Orange County, FL, Health Facilities Authority Hospital Rev. (Orlando Regional Healthcare), 5.75%, 2012 (c)	150,000	167,454
Philadelphia, PA, Hospitals & Higher Education Facilities Authority Rev. (Temple University Hospital), A, 5.5%, 2030	480,000	316,920
Philadelphia, PA, Hospitals & Higher Educational Facilities Rev. (Temple University), A, 6.625%, 2023	375,000	304,665
Ross County, OH, Hospital Rev. (Adena Health System), 5.75%, 2035	405,000	328,034
Salida, CO, Hospital District Rev., 5.25%, 2036	735,000	470,157
Saline County, MO, Industrial Development Authority Rev. (John Fitzgibbon Memorial Hospital, Inc.), 5.625%, 2035	985,000	642,200
Skagit County, WA, Public Hospital District No. 001, 5.75%, 2032	90,000	61,988
South Lake County, FL, Hospital District Rev. (South Lake Hospital, Inc.), 6.375%, 2034	250,000	197,980
Southwestern, IL, Development Authority Rev. (Anderson Hospital), 5.375%, 2015	500,000	447,445
Southwestern, IL, Development Authority Rev. (Anderson Hospital), 5.5%, 2020	550,000	450,698
Southwestern, IL, Development Authority Rev. (Anderson Hospital), 5.125%, 2026	500,000	362,455
St. Paul, MN, Port Authority Lease Rev. (Regions Hospital), 1, 5%, 2036	700,000	418,866
Sullivan County, TN, Health, Educational & Housing Facilities Board Hospital Rev. (Wellmont Health Systems Project), C, 5.25%, 2036	1,085,000	701,463
Tyler, TX, Health Facilities Development Corp. (East Texas Medical Center), A, 5.25%, 2032	230,000	151,846
Tyler, TX, Health Facilities Development Corp. (East Texas Medical Center), A, 5.375%, 2037	190,000	123,842
Tyler, TX, Health Facilities Development Corp. (Mother Frances Hospital), 6%, 2012 (c)	750,000	832,230
Virginia Small Business Financing Authority Hospital Rev., (Wellmont Health Project), A, 5.25%, 2037	470,000	302,083
West Contra Costa, CA, Healthcare District, AMBAC, 5.5%, 2029	105,000	88,654
West Virginia Hospital Finance Authority Rev. (Charleston Medical Center), 6.75%, 2010 (c)	605,000	657,871
Wisconsin Health & Educational Facilities Authority Rev. (Aurora Health Care, Inc.), 6.4%, 2033	350,000	271,926
Wisconsin Health & Educational Facilities Authority Rev. (Fort Healthcare, Inc.), 6.1%, 2034	750,000	579,533

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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Municipal Bonds - continued</b>		
<b>Healthcare Revenue - Hospitals - continued</b>		
Wisconsin Health & Educational Facilities Authority Rev. (Wheaton Franciscan Healthcare), 5.75%, 2012 (c)	\$ 450,000	\$ 501,651
Wisconsin Health & Educational Facilities Authority Rev. (Wheaton Franciscan Services), 5.25%, 2034	935,000	579,466
Wisconsin Health & Educational Facilities Authority Rev. (Wheaton Franciscan Services), A , 5.25%, 2025	390,000	267,107
		\$ 37,668,733
<b>Healthcare Revenue - Long Term Care - 29.9%</b>		
Abilene, TX, Health Facilities Development Corp., Retirement Facilities Rev. (Sears Methodist Retirement), A , 5.9%, 2025	\$ 750,000	\$ 534,000
Abilene, TX, Health Facilities Development Corp., Retirement Facilities Rev. (Sears Methodist Retirement), A , 7%, 2033	200,000	152,244
Boston, MA, Industrial Development Financing Authority Rev. (Springhouse, Inc.), 5.875%, 2020	235,000	182,971
Bucks County, PA, Industrial Development Authority Retirement Community Rev. (Ann s Choice, Inc.), A , 6.125%, 2025	500,000	372,525
Bucks County, PA, Industrial Development Authority Retirement Community Rev. (Ann s Choice, Inc.), A , 6.25%, 2035	250,000	174,015
Bucks County, PA, Industrial Development Authority Rev. (Lutheran Community Telford Center), 5.75%, 2027	90,000	64,549
Bucks County, PA, Industrial Development Authority Rev. (Lutheran Community Telford Center), 5.75%, 2037	120,000	78,761
California Statewide Communities Development Authority Rev. (Eskaton Properties, Inc.), 8.25%, 2010 (c)	695,000	776,558
Capital Projects Finance Authority, FL (Glenridge on Palmer Ranch), A , 8%, 2012 (c)	500,000	576,820
Carlton, MN, Health & Housing Facilities Rev. (Inter-Faith Social Services, Inc.), 7.5%, 2019	235,000	252,806
Chartiers Valley, PA, Industrial & Commercial Development Authority (Friendship Village), A , 5.75%, 2020	1,000,000	799,750
Chartiers Valley, PA, Industrial & Commercial Development Authority Rev. (Asbury Health Center), 6.375%, 2024	1,000,000	826,620
Colorado Health Facilities Authority Rev. (American Housing Foundation, Inc.), 8.5%, 2031	530,000	437,080
Colorado Health Facilities Authority Rev. (Christian Living Communities Project), A , 5.75%, 2037	500,000	281,575
Colorado Health Facilities Authority Rev. (Covenant Retirement Communities, Inc.), 5%, 2035	1,100,000	686,961
Columbus, GA, Housing Authority Rev. (Calvary Community, Inc.), 7%, 2019	425,000	348,351
Connecticut Development Authority Rev. (Elim Park Baptist Home, Inc.), 5.85%, 2033	430,000	316,858

17

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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Municipal Bonds - continued</b>		
Healthcare Revenue - Long Term Care - continued		
Fulton County, GA, Residential Care Facilities (Canterbury Court), A , 6.125%, 2026	\$ 500,000	\$ 371,480
Fulton County, GA, Residential Care Facilities, First Mortgage (Lenbrook Square Foundation, Inc.), A , 5%, 2029	1,500,000	941,175
HFDC of Central Texas, Inc., Retirement Facilities Rev. (Legacy at Willow Bend), A , 5.75%, 2036	600,000	374,142
Houston, TX, Health Facilities Development Corp., (Buckingham Senior Living Community), A , 7%, 2014 (c)	500,000	590,080
Howard County, MD, Retirement Facilities Rev. (Vantage House Corp.), A , 5.25%, 2033	200,000	125,474
Huntington, NY, Housing Authority Rev. (Gurwin Senior Jewish Residences), A , 5.875%, 2019	420,000	336,575
Huntington, NY, Housing Authority Rev. (Gurwin Senior Jewish Residences), A , 6%, 2029	650,000	458,536
Illinois Finance Authority Rev. (Smith Village), A , 6.25%, 2035	1,000,000	707,680
Illinois Health Facilities Authority Rev. (Lutheran Senior Ministries, Inc.), 7.375%, 2011 (c)	650,000	739,746
Illinois Health Facilities Authority Rev. (Smith Crossing), A , 7%, 2032	525,000	419,890
Indiana Health Facilities Financing Authority Rev. (Hoosier Care, Inc.), 7.125%, 2034	1,010,000	745,905
Iowa Finance Authority, Health Care Facilities Rev. (Care Initiatives), 9.25%, 2011 (c)	915,000	1,068,153
Iowa Finance Authority, Health Care Facilities Rev. (Care Initiatives), B , 5.75%, 2018	550,000	470,223
Iowa Finance Authority, Health Care Facilities Rev. (Care Initiatives), B , 5.75%, 2028	1,475,000	1,062,664
James City County, VA, Economic Development (Virginia United Methodist Homes, Inc.), A , 5.5%, 2037	520,000	322,254
Johnson City, TN, Health & Educational Facilities Board (Appalachian Christian Village), A , 6.25%, 2032	250,000	180,295
Juneau, AK, City & Borough Non-Recourse Rev. (St. Ann s Care Project), 6.875%, 2025	900,000	731,088
Kent County, DE, Assisted Living (Heritage at Dover LLC), 7.625%, 2030	1,140,000	823,114
Kentucky Economic Development Finance Authority Health Facilities Rev. (AHF/Kentucky-IOWA, Inc.), 6.5%, 2029	395,000	403,129
Kentwood, MI, Economic Development Ltd. (Holland Home), A , 5.375%, 2036	750,000	508,133
La Verne, CA, COP (Brethren Hillcrest Homes), B , 6.625%, 2025	525,000	418,892
Lancaster, PA, Industrial Development Authority Rev. (Garden Spot Village), A , 7.625%, 2010 (c)	325,000	355,001

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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Municipal Bonds - continued</b>		
Healthcare Revenue - Long Term Care - continued		
Massachusetts Development Finance Agency Rev. (Adventcare), A , 6.75%, 2037	\$ 695,000	\$ 494,743
Massachusetts Development Finance Agency Rev. (Alliance Health of Brockton, Inc.), A , 7.1%, 2032	1,080,000	816,653
Massachusetts Development Finance Agency Rev. (Linden Ponds, Inc.), A , 5.5%, 2027	185,000	118,422
Massachusetts Development Finance Agency Rev. (Linden Ponds, Inc.), A , 5.75%, 2035	45,000	27,783
Massachusetts Development Finance Agency Rev. (Loomis Communities, Inc.), A , 5.625%, 2015	250,000	227,078
Massachusetts Development Finance Agency Rev. (Loomis Communities, Inc.), A , 6.9%, 2032	125,000	103,759
Massachusetts Industrial Finance Agency Rev. (GF/Massachusetts, Inc.), 8.3%, 2023	780,000	622,401
Metropolitan Government of Nashville & Davidson County, TN, Health & Educational Facilities Board Rev. (Blakeford at Green Hills), 5.65%, 2024	575,000	414,477
Montgomery County, PA, Industrial Development Authority Rev. (Whitemarsh Continuing Care), 6.125%, 2028	150,000	102,045
Montgomery County, PA, Industrial Development Authority Rev. (Whitemarsh Continuing Care), 6.25%, 2035	600,000	393,588
New Jersey Economic Development Authority Rev. (Lions Gate), A , 5.75%, 2025	400,000	289,792
New Jersey Economic Development Authority Rev. (Lions Gate), A , 5.875%, 2037	300,000	199,155
New Jersey Economic Development Authority Rev. (Seabrook Village, Inc.), 5.25%, 2026	500,000	332,895
New Jersey Economic Development Authority Rev. (Seabrook Village, Inc.), 5.25%, 2036	500,000	301,685
New Jersey Economic Development Authority Rev. (Seabrook Village, Inc.), A , 8.25%, 2010 (c)	700,000	785,232
Roseville, MN, Elder Care Facilities (Care Institute, Inc.), 7.75%, 2023	1,630,000	1,213,356
Sartell, MN, Health Care & Housing Authority Rev. (The Foundation for Health Care), A , 6.625%, 2029	1,025,000	778,498
Savannah, GA, Economic Development Authority, First Mortgage (Marshes of Skidway), A , 7.4%, 2034	350,000	284,914
Shelby County, TN, Health, Educational & Housing Facilities Board Rev. (Germantown Village), A , 7.25%, 2034	300,000	223,164
South Carolina Jobs & Economic Development Authority Rev. (Woodlands at Furman), A , 6%, 2027	280,000	206,878
South Carolina Jobs & Economic Development Authority Rev. (Woodlands at Furman), A , 6%, 2042	260,000	174,008



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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Municipal Bonds - continued</b>		
<b>Healthcare Revenue - Long Term Care - continued</b>		
South Carolina Jobs & Economic Development Authority, Health Facilities Rev. (Wesley Commons), 5.3%, 2036	\$ 200,000	\$ 124,806
St. Johns County, FL, Industrial Development Authority (Glenmoor Project), A , 5.25%, 2026	500,000	327,695
Westmoreland County, PA, Industrial Development Authority Rev. (Redstone Retirement Community), A , 5.875%, 2032	600,000	409,458
Westmoreland County, PA, Industrial Development Retirement Authority Rev. (Redstone Retirement Community), A , 5.75%, 2026	1,250,000	899,738
Wisconsin Health & Educational Facilities Board Rev. (All Saints Assisted Living Project), 6%, 2037	180,000	118,471
		\$ 29,006,767
<b>Healthcare Revenue - Other - 0.8%</b>		
Massachusetts Health & Educational Facilities Authority Rev. (Civic Investments, Inc.), A , 9%, 2012 (c)	\$ 650,000	\$ 744,933
<b>Industrial Revenue - Airlines - 3.8%</b>		
Alliance Airport Authority, TX (American Airlines, Inc.), 5.25%, 2029	\$ 1,560,000	\$ 573,113
Chicago, IL, O Hare International Airport Special Facilities Rev. (American Airlines, Inc.), 5.5%, 2030	1,745,000	674,669
Cleveland, OH, Airport Special Rev. (Continental Airlines, Inc.), 5.7%, 2019	875,000	580,738
Dallas Fort Worth, TX, International Airport Facility Improvement Corp. (American Airlines, Inc.), 5.5%, 2030	750,000	282,855
New Jersey Economic Development Authority, Special Facilities Rev. (Continental Airlines, Inc.), 9%, 2033 (a)	1,250,000	902,663
New York, NY, City Industrial Development Agencies Rev. (American Airlines, Inc.), 7.625%, 2025	40,000	28,926
New York, NY, City Industrial Development Agencies Rev. (American Airlines, Inc.), 7.75%, 2031	385,000	270,247
New York, NY, City Industrial Development Agency Special Facility Rev. (American Airlines, Inc.), B , 8.5%, 2028	500,000	388,395
		\$ 3,701,606
<b>Industrial Revenue - Chemicals - 0.3%</b>		
Brazos River, TX, Harbor Navigation District (Dow Chemical Co.), B-2 , 4.95%, 2033	\$ 400,000	\$ 276,720
<b>Industrial Revenue - Environmental Services - 1.9%</b>		
California Pollution Control Financing Authority, Solid Waste Disposal Rev. (Waste Management, Inc.), C , 5.125%, 2023	\$ 655,000	\$ 478,857

**Table of Contents**

*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
<b>Municipal Bonds - continued</b>		
Industrial Revenue - Environmental Services - continued		
Carbon County, UT, Solid Waste Disposal Rev. (Allied Waste Industries), A , 7.5%, 2010	\$ 250,000	\$ 243,085
Carbon County, UT, Solid Waste Disposal Rev. (Laidlaw Environmental), A , 7.45%, 2017	500,000	421,550
Gulf Coast Waste Disposal Authority, TX (Waste Management, Inc.), A , 5.2%, 2028	360,000	243,605
New Hampshire Business Finance Authority, Solid Waste Disposal Rev. (Waste Management, Inc.), 5.2%, 2027	660,000	454,852
		<b>\$ 1,841,949</b>
Industrial Revenue - Metals - 0.6%		
Director of Nevada Department of Business & Industry (Wheeling/Pittsburgh Steel), A , 8%, 2014	\$ 150,000	\$ 141,248
Greensville County, VA, Industrial Development Authority Rev. (Wheeling/Pittsburgh Steel), A , 7%, 2014	435,000	398,221
		<b>\$ 539,469</b>
Industrial Revenue - Other - 4.5%		
Annawan, IL, Tax Increment Rev. (Patriot Renewable Fuels LLC), 5.625%, 2018	\$ 350,000	\$ 272,986
California Statewide Communities Development Authority Facilities (Microgy Holdings Project), 9%, 2038	400,000	338,000
Gulf Coast, TX, Industrial Development Authority Rev. (CITGO Petroleum Corp.), 8%, 2028	375,000	331,853
Houston, TX, Industrial Development Corp. (United Parcel Service, Inc.), 6%, 2023	475,000	363,655
Indianapolis, IN, Airport Authority Rev., Special Facilities (FedEx Corp.), 5.1%, 2017	500,000	400,455
Michigan Strategic Fund Rev. (Michigan Sugar Co.), A , 6.25%, 2015	1,000,000	911,830
New Jersey Economic Development Authority Rev. (GMT Realty LLC), B , 6.875%, 2037	1,000,000	793,800
Virgin Islands Government Refinery Facilities Rev. (Hovensa Coker Project), 6.5%, 2021	250,000	196,055
Virgin Islands Public Finance Authority, Refinery Facilities Rev. (Hovensa Coker Project), 5.875%, 2022	400,000	289,892
Will-Kankakee, IL, Regional Development Authority Rev. (Flanders Corp.), 6.5%, 2017	605,000	513,784
		<b>\$ 4,412,310</b>
Industrial Revenue - Paper - 3.8%		
Beauregard Parish, LA (Boise Cascade Corp.), 6.8%, 2027	\$ 1,000,000	\$ 795,810

**Table of Contents**

*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
<b>Municipal Bonds - continued</b>		
Industrial Revenue - Paper - continued		
Bedford County, VA, Industrial Development Authority Rev. (Nekooska Packaging Corp.), 5.6%, 2025	\$ 400,000	\$ 231,180
Camden, AL, Industrial Development Board Exempt Facilities Rev., B (Weyerhaeuser Co.), 6.375%, 2024	400,000	443,960
Courtland AL, Industrial Development Board Solid Waste Disposal Rev. (Champion International Corp.), 6%, 2029	1,000,000	662,510
Escambia County, FL, Environmental Improvement Rev. (International Paper Co.), A, 4.75%, 2030	290,000	155,185
Escambia County, FL, Environmental Improvement Rev. (International Paper Co., Projects), A, 5%, 2026	980,000	584,423
Lowndes County, MS, Solid Waste Disposal & Pollution Control Rev. (Weyerhaeuser Co.), B, 6.7%, 2022	595,000	506,958
Phenix City, AL, Industrial Development Board Environmental Improvement Rev., A (MeadWestvaco Coated), 6.35%, 2035	400,000	271,456
		<b>\$ 3,651,482</b>
Miscellaneous Revenue - Entertainment & Tourism - 2.9%		
Agua Caliente Band of Cahuilla Indians, CA, 5.6%, 2013 (z)	\$ 775,000	\$ 731,050
Cabazon Band Mission Indians, CA, 8.375%, 2015 (z)	150,000	140,448
Cabazon Band Mission Indians, CA, 8.75%, 2019 (z)	720,000	667,318
Cow Creek Band of Umpqua Tribe of Indians, OR, C, 5.625%, 2026 (n)	650,000	468,201
Mashantucket Western Pequot Tribe, CT, B, 0%, 2018 (n)	1,100,000	555,698
New York Liberty Development Corp. Rev. (National Sports Museum), A, 6.125%, 2019	400,000	60,000
Seminole Tribe, FL, Special Obligation, A, 5.25%, 2027 (n)	280,000	206,349
		<b>\$ 2,829,064</b>
Miscellaneous Revenue - Other - 1.7%		
Austin, TX, Convention Center (Convention Enterprises, Inc.), A, XLCA, 5.25%, 2024	\$ 115,000	\$ 90,894
Capital Trust Agency, FL (Aero Syracuse LLC), 6.75%, 2032	350,000	261,321
Massachusetts Development Finance Agency (Boston Biomedical Research), 5.65%, 2019	620,000	505,647
Philadelphia, PA, Industrial Development Airport Rev. (Aero Philadelphia LLC), 5.25%, 2009	95,000	94,809
Summit County, OH, Port Authority Building Rev. (Twinsburg Township), D, 5.125%, 2025	630,000	475,751
V Lakes Utility District Ranking Water Systems Rev., 7%, 2037	300,000	224,715
		<b>\$ 1,653,137</b>

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**Table of Contents**

*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
<b>Municipal Bonds - continued</b>		
Multi-Family Housing Revenue - 9.0%		
Broward County, FL, Housing Finance Authority Rev. (Chaves Lakes Apartments Ltd.), A, 7.5%, 2040	\$ 500,000	\$ 436,740
Capital Trust Agency, FL, Housing Rev. (Atlantic Housing Foundation), B, 7%, 2032	650,000	531,172
Charter Mac Equity Issuer Trust, FHLMC, 6%, 2019 (n)	1,000,000	869,340
Charter Mac Equity Issuer Trust, B, FHLMC, 7.6%, 2010 (a)(n)	500,000	514,525
Clay County, FL, Housing Finance Authority Rev. (Madison Commons Apartments), A, 7.45%, 2040	495,000	415,874
District of Columbia Housing Finance Agency (Henson Ridge), E, FHA, 5.1%, 2037	655,000	473,231
Durham, NC, Durham Housing Authority Rev. (Magnolia Pointe Apartments), 5.65%, 2038 (a)	995,149	770,494
El Paso County, TX, Housing Finance Corp. (American Housing Foundation), D, 10%, 2032	290,000	250,116
El Paso County, TX, Housing Finance Corp. (American Housing Foundation, Inc.), C, 8%, 2032	285,000	239,007
Massachusetts Housing Finance Agency Rev., B, 5%, 2030	500,000	393,990
Massachusetts Housing Finance Agency Rev., E, 5%, 2028	500,000	370,545
Minneapolis, MN, Student Housing Rev. (Riverton Community Housing Project), A, 5.7%, 2040	500,000	349,055
Mississippi Home Corp., Rev. (Kirkwood Apartments), 6.8%, 2037	605,000	461,585
MuniMae TE Bond Subsidiary LLC, 5.8%, 2049 (z)	1,000,000	848,960
New Mexico Mortgage Finance Authority, Multi-Family Housing Rev. (Sun Pointe Apartments), E, FHA, 4.8%, 2040	500,000	337,870
Resolution Trust Corp., Pass-Through Certificates, 1993, 8.5%, 2016 (z)	455,481	426,125
Seattle, WA, Housing Authority Rev., Capped Fund Program (High Rise Rehab), I, FSA, 5%, 2025	500,000	397,660
Wilmington, DE, Multi-Family Housing Rev. (Electra Arms Senior Associates), 6.25%, 2028	850,000	633,225
		\$ 8,719,514
Sales & Excise Tax Revenue - 3.6%		
Bolingbrook, IL, Sales Tax Rev., 6.25%, 2024	\$ 500,000	\$ 414,945
Metropolitan Pier & Exposition Authority, State Tax Rev., MBIA, 0%, 2015	3,000,000	2,250,300
Metropolitan Pier & Exposition Authority, State Tax Rev., ETM, FGIC, 0%, 2014 (c)	1,010,000	837,199
		\$ 3,502,444
Single Family Housing - Local - 1.4%		
Minneapolis & St. Paul Housing Authority Rev. (City Living), A-2, GNMA, 5%, 2038	\$ 733,948	\$ 537,962

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

Issuer	Shares/Par	Value (\$)
<b>Municipal Bonds - continued</b>		
Single Family Housing - Local - continued		
Pittsburgh, PA, Urban Redevelopment Authority Rev., C, GNMA, 4.8%, 2028	\$ 1,000,000	\$ 805,860
		\$ 1,343,822
Single Family Housing - State - 3.1%		
California Housing Finance Agency Rev., J, 5.75%, 2047	\$ 1,500,000	\$ 1,253,910
Iowa Finance Authority, Single Family Mortgage Rev., E, 5.4%, 2032	920,000	806,904
Kentucky Counties Single Family Mortgage Rev., A, MBIA, 9%, 2016	5,000	5,001
North Dakota Housing Finance Agency Rev., A, 4.85%, 2021	475,000	380,181
Virginia Housing Development Authority, Commonwealth Mortgage, A-5, 4.4%, 2015	265,000	245,737
Virginia Housing Development Authority, Commonwealth Mortgage, A-5, 4.4%, 2015	340,000	309,451
		\$ 3,001,184
Solid Waste Revenue - 0.8%		
Delaware County, PA, Industrial Development Authority, Resource Recovery Facilities Rev. (American Ref-Fuel Co.), A, 6.2%, 2019	\$ 1,000,000	\$ 826,280
State & Agency - Other - 0.5%		
Commonwealth of Puerto Rico (Mepsi Campus), A, 6.25%, 2024	\$ 100,000	\$ 82,717
Commonwealth of Puerto Rico (Mepsi Campus), A, 6.5%, 2037	500,000	386,890
		\$ 469,607
State & Local Agencies - 4.1%		
Dorchester County, SC, School District No. 2, Growth Remedy Opportunity Tax Hike, 5.25%, 2029	\$ 500,000	\$ 451,230
Laurens County, SC, School District No. 55, Installment Purchase Rev., 5.25%, 2030	700,000	572,992
Michigan Building Authority Rev., Facilities Program, I, 5%, 2024	1,000,000	900,670
New York Metropolitan Transportation Authority, A, 5.125%, 2029	800,000	705,784
Newberry, SC, Investing in Children's Education (Newberry County School District Program), 5%, 2030	400,000	314,996
Puerto Rico Public Finance Corp., E, ETM, 6%, 2026 (c)	80,000	88,113
Puerto Rico Public Finance Corp., Unrefunded, E, 6%, 2026	820,000	903,156
		\$ 3,936,941
Student Loan Revenue - 0.6%		
Massachusetts Educational Financing Authority, Education Loan Rev., H, ASSD GTY, 6.35%, 2030	\$ 625,000	\$ 579,531

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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Municipal Bonds - continued</b>		
Tax - Other - 1.0%		
Dallas County, TX, Flood Control District, 7.25%, 2032	\$ 750,000	\$ 665,730
New Jersey Economic Development Authority Rev. (Cigarette Tax), 5.75%, 2029	385,000	283,741
		\$ 949,471
Tax Assessment - 14.3%		
Atlanta, GA, Tax Allocation (Eastside Project), B, 5.4%, 2020	\$ 500,000	\$ 358,300
Ave Maria Stewardship Community District, FL, A, 5.125%, 2038	150,000	92,007
Capital Region Community Development District Rev., FL, A, 7%, 2039	235,000	195,062
Celebration Community Development District, FL, A, 6.4%, 2034	710,000	574,305
Channing Park Community Development District, FL, 5.3%, 2038	400,000	250,664
Chicago, IL, Tax Increment Allocation (Pilsen Redevelopment), B, 6.75%, 2022	310,000	278,603
Colonial Country Club Community Development District, FL, 6.4%, 2033	475,000	384,926
Double Branch Community Development District, FL, A, 6.7%, 2034	480,000	399,446
Du Page County, IL, Special Service Area No. 31 Special Tax (Monarch Landing Project), 5.625%, 2036	250,000	167,098
Durbin Crossing Community Development District, FL, Special Assessment, B-1, 4.875%, 2010	200,000	186,910
Grand Bay at Doral Community Development District, FL, A, 6%, 2039	90,000	60,195
Grand Bay at Doral Community Development District, FL, B, 6%, 2017	545,000	444,894
Heritage Harbour North Community Development District, FL, Capital Improvement Rev., 6.375%, 2038	325,000	240,669
Homestead 50 Community Development District, FL, A, 6%, 2037	375,000	263,070
Homestead 50 Community Development District, FL, B, 5.9%, 2013	170,000	152,393
Huntington Beach, CA, Community Facilities District, Special Tax (Grand Coast Resort), 2000-1, 6.45%, 2031	500,000	418,635
Islands at Doral Southwest Community Development District, FL, 6.375%, 2013 (c)	245,000	274,101
Lincoln, CA, Special Tax (Community Facilities District), 2003-1, 5.55%, 2013 (c)	440,000	501,525
Lincolnshire, IL, Special Service Area No. 1 (Sedgebrook Project), 6.25%, 2034	250,000	184,173
Magnolia Park Community Development District, FL, Special Assessment, A, 6.15%, 2039	630,000	452,038

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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Municipal Bonds - continued</b>		
Tax Assessment - continued		
Main Street Community Development District, FL, A, 6.8%, 2038	\$ 295,000	\$ 237,888
Main Street Community Development District, FL, B, 6.9%, 2017	225,000	202,404
Northwest Metropolitan District No. 3, CO, 6.25%, 2035	500,000	326,605
Oakmont Grove Community Development District, CA, A, 5.4%, 2038	300,000	180,294
Ohio County, WV, Commission Tax Increment Rev. (Fort Henry Centre), A, 5.85%, 2034	125,000	88,431
Orlando, FL, Special Assessment Rev. (Conroy Road Interchange Project), A, 5.5%, 2010	45,000	43,391
Orlando, FL, Special Assessment Rev. (Conroy Road Interchange Project), A, 5.8%, 2026	300,000	233,838
Plano, IL, Special Service Area No. 4 (Lakewood Springs Project Unit 5-B), 6%, 2035	1,500,000	1,040,415
Pontiac, MI, Tax Increment Finance Authority Rev., 6.375%, 2012 (c)	450,000	512,780
Portage, IN, Economic Development Rev. (Ameriplex Project), 5%, 2027	260,000	190,060
Redwood City, CA, Special Tax Community Facilities, (District 1 Redwood), B, 6%, 2033	300,000	233,451
San Diego, CA, Redevelopment Agency, Tax Allocation, FSA, 0%, 2018	1,015,000	627,889
Sarasota National Community Development District, FL, Special Assessment Rev., 5.3%, 2039	800,000	493,104
Seven Oaks, FL, Community Development District II Special Assessment Rev., B, 5%, 2009	580,000	481,029
Sweetwater Creek Community Development District, FL, Capital Improvement Rev., 5.5%, 2038	200,000	123,766
Tolomato Community Development District, FL, Special Assessment, 6.65%, 2040	585,000	469,585
Tuscany Reserve Community Development District, FL, Special Assessment, B, 5.25%, 2016	185,000	137,179
Volo Village, IL, Special Service Area No. 3, Special Tax (Symphony Meadows Project), 1, 6%, 2036	484,000	342,783
West Villages Improvement District, FL, Special Assessment Rev. (Unit of Development No. 3), 5.5%, 2037	495,000	305,341
Westchester, FL, Community Development District No. 1 (Community Infrastructure), 6.125%, 2035	275,000	196,977
Westridge, FL, Community Development District, Capital Improvement Rev., 5.8%, 2037 (d)	980,000	601,955
Wyandotte County-Kansas City, KS, Unified Government Transportation Development District (Legends Village West Project), 4.875%, 2028	585,000	388,305

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

Issuer	Shares/Par	Value (\$)
<b>Municipal Bonds - continued</b>		
<b>Tax Assessment - continued</b>		
Yorba Linda, CA, Redevelopment Agency, Tax Allocation Rev., A , MBIA, 0%, 2024	\$ 1,325,000	\$ 488,978
		\$ 13,825,462
<b>Tobacco - 10.5%</b>		
Buckeye, OH, Tobacco Settlement Rev., Asset Backed, A-2 , 5.875%, 2030	\$ 1,610,000	\$ 1,073,274
Buckeye, OH, Tobacco Settlement Rev., Asset Backed, A-2 , 5.875%, 2047	2,810,000	1,745,516
Buckeye, OH, Tobacco Settlement Rev., Asset Backed, A-2 , 6.5%, 2047	785,000	537,843
California County, CA, Tobacco Securitization Agency, Tobacco Settlement Rev. (Los Angeles County), 0%, 2046	3,500,000	81,025
Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., A-1 , 6.25%, 2013 (c)(f)	1,495,000	1,588,139
Inland Empire, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., Asset Backed, C-1 , 0%, 2036	1,815,000	128,665
Michigan Tobacco Settlement Finance Authority Rev., Asset Backed, A , 6%, 2048	1,710,000	1,088,996
Rhode Island Tobacco Settlement Authority, 6%, 2023	2,115,000	1,906,863
Tobacco Settlement Authority of Washington Rev., Asset Backed, 6.625%, 2032	500,000	404,950
Tobacco Settlement Financing Corp., NJ, 6.75%, 2013 (c)	1,000,000	1,168,950
Virginia Tobacco Settlement Financing Corp., B-1 , 5%, 2047	830,000	473,847
		\$ 10,198,068
<b>Toll Roads - 6.4%</b>		
E-470 Public Highway Authority, CO, B , 0%, 2010 (c)	\$ 8,750,000	\$ 1,270,938
E-470 Public Highway Authority, CO, B , MBIA, 0%, 2018	3,000,000	1,631,430
Northwest Parkway, CO, Public Highway Authority (First Tier), D , 7.125%, 2041 (c)	995,000	1,051,476
San Joaquin Hills, CA, Transportation Corridor Agency Toll Road Rev., A , MBIA, 0%, 2015	3,000,000	2,257,950
		\$ 6,211,794
<b>Universities - Colleges - 0.6%</b>		
California Municipal Finance Authority Rev. (Biola University), 5.8%, 2028	\$ 100,000	\$ 79,041
Harris County, TX, Cultural Education Facilities Rev. (Baylor College of Medicine), D , 5.625%, 2032	280,000	250,043
West Virginia University Rev. (West Virginia University Project), A , AMBAC, 0%, 2025	750,000	274,133
		\$ 603,217



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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Municipal Bonds - continued</b>		
<b>Universities - Dormitories - 0.5%</b>		
California Statewide Communities Development Authority Rev. (Lancer Educational Student Housing Project), 5.625%, 2033	\$ 735,000	\$ 469,952
<b>Universities - Secondary Schools - 1.6%</b>		
California Statewide Communities Development Authority Rev., COP, (Crossroads Schools for the Arts & Sciences), 6%, 2028	\$ 1,010,000	\$ 943,572
Colorado Housing Finance Development Rev. (Evergreen Country Day School), 5.875%, 2037	425,000	297,190
Lee County, FL, Industrial Development Authority Rev. (Lee Charter Foundation), A, 5.375%, 2037	535,000	322,557
		\$ 1,563,319
<b>Utilities - Cogeneration - 0.7%</b>		
Puerto Rico Industrial, Tourist, Educational, Medical & Environmental Central Facilities (Cogeneration Facilities - AES Puerto Rico Project), 6.625%, 2026	\$ 320,000	\$ 288,083
Suffolk County, NY, Industrial Development Agency Rev. (Nissequoque Cogeneration Partners Facilities), 5.5%, 2023	550,000	421,581
		\$ 709,664
<b>Utilities - Investor Owned - 5.1%</b>		
Brazos River Authority, TX, Pollution Control Rev. (TXU Electric Co. LLC), C, 5.75%, 2036 (a)	\$ 220,000	\$ 179,852
Brazos River Authority, TX, Pollution Control Rev. (TXU Electric Co. LLC), C, 6.75%, 2038	555,000	311,566
Brazos River Authority, TX, Pollution Control Rev. (TXU Electric Co. LLC), D, 5.4%, 2029 (a)	45,000	34,069
Bryant, IL, Pollution Control Rev. (Central Illinois Light Co.), 5.9%, 2023	975,000	896,688
Clark County, NV, Industrial Development Rev. (Nevada Power Co. Project), A, 5.9%, 2032	1,500,000	906,510
Mississippi Business Finance Corp., Pollution Control Rev. (Systems Energy Resources Project), 5.875%, 2022	1,500,000	1,183,245
New Hampshire Business Finance Authority, Pollution Control Rev. (Public Service of New Hampshire), B, MBIA, 4.75%, 2021	250,000	198,620
Pennsylvania Economic Development Financing Authority Rev. (Reliant Energy Seward), A, 6.75%, 2036	400,000	247,328
Red River Authority, TX, Pollution Control Rev. (AEP Texas Central Co.), MBIA, 4.45%, 2020	410,000	338,397
Sabine River Authority, TX, Pollution Control Rev. (TXU Electric Co. LLC), 5.2%, 2028	185,000	94,095
Sabine River Authority, TX, Pollution Control Rev. (TXU Electric Co. LLC), 5.75%, 2030 (a)	155,000	126,714

**Table of Contents**

*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
<b>Municipal Bonds - continued</b>		
<b>Utilities - Investor Owned - continued</b>		
West Feliciana Parish, LA, Pollution Control Rev. (Entergy Gulf States), 6.6%, 2028	\$ 500,000	\$ 400,100
		\$ 4,917,184
<b>Utilities - Other - 1.9%</b>		
Main Street Natural Gas, Inc. Gas Rev., B, 5%, 2019	\$ 325,000	\$ 251,625
Main Street Natural Gas, Inc., GA, Gas Project Rev., A, 5.5%, 2028	335,000	242,835
Salt Verde Financial Corp., AZ, Senior Gas Rev., 5%, 2037	705,000	451,010
Tennessee Energy Acquisition Corp., Gas Rev., A, 5.25%, 2022	270,000	200,672
Tennessee Energy Acquisition Corp., Gas Rev., A, 5.25%, 2023	570,000	416,465
Tennessee Energy Acquisition Corp., Gas Rev., A, 5.25%, 2026	165,000	114,873
Tennessee Energy Acquisition Corp., Gas Rev., C, 5%, 2025	240,000	155,966
		\$ 1,833,446
<b>Water &amp; Sewer Utility Revenue - 1.2%</b>		
Puerto Rico Aqueduct & Sewer Authority Rev., A, 6%, 2038	\$ 655,000	\$ 573,210
Puerto Rico Aqueduct & Sewer Authority Rev., A, 6%, 2044	135,000	117,561
Surprise, AZ, Municipal Property Corp., 4.9%, 2032	700,000	501,787
		\$ 1,192,558
<b>Total Investments (Identified Cost, \$191,332,368)</b>		<b>\$ 156,693,380</b>
<b>Other Assets, Less Liabilities - 15.8%</b>		<b>15,261,646</b>
<b>Preferred Shares (Issued by the Fund) - (77.4)%</b>		<b>(75,000,000)</b>
<b>Net Assets applicable to common shares - 100.0%</b>		<b>\$ 96,955,026</b>

(a) Mandatory tender date is earlier than stated maturity date.

(c) Refunded bond.

(d) Non-income producing security in default.

(f) All or a portion of the security has been segregated as collateral for open futures contracts.

(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 \$2,614,113 representing 2.7% of net assets applicable to common shares.

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

(z) Restricted securities are not registered under the Securities Act of 1933 and are subject to legal restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are subsequently registered. Disposal of these securities may involve time-consuming negotiations and prompt sale at an acceptable price may be difficult. The fund holds the following restricted securities:

Restricted Securities	Acquisition	Cost	Current Market Value
	Date		
Agua Caliente Band of Cahuilla Indians, CA, 5.6%, 2013	7/22/03	\$776,026	\$731,050
Cabazon Band Mission Indians, CA, 8.375%, 2015	10/04/04	150,000	140,448
Cabazon Band Mission Indians, CA, 8.75%, 2019	10/04/04	720,000	667,318
MuniMae TE Bond Subsidiary LLC, 5.8%, 2049	10/14/04	1,000,000	848,960
Resolution Trust Corp., Pass-Through Certificates, 1993, 8.5%, 2016	10/17/01-1/14/02	455,481	426,125
Total Restricted Securities			\$2,813,901
% of Net Assets Applicable to Common Shares			2.9%

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

COP	Certificate of Participation
ETM	Escrowed to Maturity

**Insurers**

AMBAC	AMBAC Indemnity Corp.
ASSD GTY	Assured Guaranty Insurance Co.
BHAC	Berkshire Hathaway Assurance Corp.
FGIC	Financial Guaranty Insurance Co.
FHA	Federal Housing Administration
FHLMC	Federal Home Loan Mortgage Corp.
FSA	Financial Security Assurance Inc.
GNMA	Government National Mortgage Assn.
MBIA	MBIA Insurance Corp.
XLCA	XL Capital Insurance Co.

**Derivative contracts at 11/30/08****Futures contracts outstanding at 11/30/08**

Description	Contracts	Value	Expiration Date	Unrealized Appreciation (Depreciation)
U.S. Treasury Note 10 yr. (Short)	424	\$51,290,750	Mar-09	\$(1,511,984)
U.S. Treasury Bond 30 yr. (Short)	96	12,238,500	Mar-09	(295,836)
				\$(1,807,820)

At November 30, 2008, the fund had sufficient cash and/or other liquid securities to cover any commitments under these derivative contracts.

**See Notes to Financial Statements**



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

At 11/30/08

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, at value (identified cost, \$191,332,368)	\$156,693,380	
Cash	11,409,047	
Receivable for investments sold	2,154,489	
Interest receivable	3,353,482	
Receivable from investment adviser	83,879	
Other assets	20,162	
Total assets		\$173,714,439
<b>Liabilities</b>		
Distributions payable on common shares	\$37,563	
Distributions payable on preferred shares	22,560	
Payable for daily variation margin on open futures contracts	292,250	
Payable for investments purchased	1,233,102	
Payable to affiliates		
Management fee	15,362	
Transfer agent and dividend disbursing costs	5,112	
Administrative services fee	668	
Payable for independent trustees' compensation	18,127	
Accrued expenses and other liabilities	134,669	
Total liabilities		\$1,759,413
<b>Preferred shares</b>		
Auction preferred shares (3,600 shares issued, 3,000 shares outstanding at \$25,000 per share) at liquidation value		\$75,000,000
Net assets applicable to common shares		\$96,955,026
<b>Net assets consist of</b>		
Paid-in capital - common shares	\$186,686,458	
Unrealized appreciation (depreciation) on investments	(36,446,808)	
Accumulated net realized gain (loss) on investments	(53,414,895)	
Undistributed net investment income	130,271	
Net assets applicable to common shares		\$96,955,026
Preferred shares, at value (3,600 shares issued, 3,000 shares outstanding at \$25,000 per share)		\$75,000,000
Net assets including preferred shares		\$171,955,026
Common shares of beneficial interest outstanding		27,866,922
Net asset value per common share (net assets of \$96,955,026 / 27,866,922 shares of beneficial interest outstanding)		\$3.48

**See Notes to Financial Statements**

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

Year ended 11/30/08

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>		
Interest income		\$13,827,235
Expenses		
Management fee	\$1,416,287	
Transfer agent and dividend disbursing costs	43,073	
Administrative services fee	40,548	
Independent trustees' compensation	21,062	
Stock exchange fee	22,776	
Preferred shares remarketing agent fee	213,841	
Custodian fee	34,768	
Shareholder communications	5,052	
Auditing fees	77,030	
Legal fees	64,461	
Interest expense and fees	58,318	
Miscellaneous	68,625	
Total expenses		\$2,065,841
Fees paid indirectly	(24,744)	
Reduction of expenses by investment adviser	(111,993)	
Net expenses		\$1,929,104
Net investment income		\$11,898,131
<b>Realized and unrealized gain (loss) on investments</b>		
Realized gain (loss) (identified cost basis)		
Investment transactions	\$(6,233,677)	
Futures contracts	(6,226,076)	
Net realized gain (loss) on investments		\$(12,459,753)
Change in unrealized appreciation (depreciation)		
Investments	\$(37,201,999)	
Futures contracts	(1,829,182)	
Net unrealized gain (loss) on investments		\$(39,031,181)
Net realized and unrealized gain (loss) on investments		\$(51,490,934)
Distributions declared to preferred shareholders		\$(3,117,160)
Change in net assets from operations		\$(42,709,963)
<b>See Notes to Financial Statements</b>		

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

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

	<b>Years ended 11/30</b>	
	<b>2008</b>	<b>2007</b>
<b>Change in net assets</b>		
<b>From operations</b>		
Net investment income	\$11,898,131	\$12,633,718
Net realized gain (loss) on investments	(12,459,753)	(8,157,800)
Net unrealized gain (loss) on investments	(39,031,181)	(10,342,754)
Distributions declared to preferred shareholders	(3,117,160)	(3,347,414)
Change in net assets from operations	\$(42,709,963)	\$(9,214,250)
<b>Distributions declared to common shareholders</b>		
From net investment income	\$(9,047,476)	\$(8,531,867)
Change in net assets from share transactions	\$273,134	\$249,082
Total change in net assets	\$(51,484,305)	\$(17,497,035)
<b>Net assets applicable to common shares</b>		
At beginning of period	148,439,331	165,936,366
At end of period (including undistributed net investment income of \$130,271 and \$462,917, respectively)	\$96,955,026	\$148,439,331

**See Notes to Financial Statements**

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

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

	Years ended 11/30				
	2008	2007	2006	2005	2004
Net asset value, beginning of period	\$5.34	\$5.98	\$5.76	\$5.69	\$5.85
<b>Income (loss) from investment operations</b>					
Net investment income (d)	\$0.43	\$ 0.45(z)	\$0.45	\$0.45	\$0.45
Net realized and unrealized gain (loss) on investments	(1.85)	(0.66)(z)	0.23	0.08	(0.15)
Distributions declared to preferred shareholders	(0.11)	(0.12)	(0.11)	(0.08)	(0.04)
Total from investment operations	\$(1.53)	\$(0.33)	\$0.57	\$0.45	\$0.26
<b>Less distributions declared to common shareholders</b>					
From net investment income, common shares	\$(0.33)	\$(0.31)	\$(0.35)	\$(0.38)	\$(0.42)
Net asset value, end of period	\$3.48	\$5.34	\$5.98	\$5.76	\$5.69
Common share market value, end of period	\$3.04	\$4.90	\$5.96	\$5.36	\$5.66
Total return at common share market value (%) (p)	(33.26)	(13.21)	17.99	1.36	7.86
Total return at net asset value (%) (p)(t)	(29.90)	(5.73)	10.17	8.35	4.72
<b>Ratios (%) (to average net assets applicable to common shares) and Supplemental data:</b>					
Expenses before expense reductions (f)(p)	1.57	1.39	1.39	1.40	1.42
Expenses after expense reductions (f)(p)	1.48	1.39	N/A	N/A	N/A
Expenses after expense reductions and excluding interest expense and fees (f)(l)(p)	1.44	N/A	N/A	N/A	N/A
Net investment income (p)	9.02	7.87(z)	7.62	7.73	7.79
Portfolio turnover	34	29	33	18	16
Net assets at end of period (000 Omitted)	\$96,955	\$148,439	\$165,936	\$159,792	\$157,757



**Table of Contents***Financial Highlights continued*

	Years ended 11/30				
	2008	2007	2006	2005	2004
<b>Supplemental Ratios (%):</b>					
Net investment income available to common shares	6.66	5.78	5.74	6.46	7.15
<b>Senior Securities:</b>					
Total preferred shares outstanding	3,000	3,600	3,600	3,600	3,600
Asset coverage per preferred share (k)	\$57,318	\$66,233	\$71,093	\$69,387	\$68,821
Involuntary liquidation preference per preferred share (o)	\$25,000	\$25,000	\$25,015	\$25,010	\$25,004
Average market value per preferred share (m)(x)	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000

(d) Per share data is based on average shares outstanding.

(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.

(k) Calculated by subtracting the fund's total liabilities (not including auction preferred shares) from the fund's total assets and dividing this number by the number of preferred shares outstanding.

(l) Interest expense and fees relate to payments made to the holder of the floating rate certificate from trust assets.

(m) Amount excludes accrued unpaid distributions to Auction Preferred Shareholders.

(o) Effective November 30, 2007, amount excludes accrued unpaid distributions to Auction Preferred Shareholders.

(p) Excludes dividend payment on auction preferred shares.

(t) Prior to November 30, 2007, total return at net asset value is unaudited.

(x) Average market value represents the approximate fair value of the fund's liability.

(z) The fund applied a change in estimate for amortization of premium on certain debt securities in the current year that resulted in an increase of \$0.01 per share to net investment income, a decrease of \$0.01 per share to net realized and unrealized gain (loss) on investments, and an increase of 0.15% to the net investment income ratio for the year ended November 30, 2007. The change in estimate had no impact on net assets, net asset value per share or total return.

**See Notes to Financial Statements**

Table of Contents

## NOTES TO FINANCIAL STATEMENTS

### (1) Business and Organization

MFS High Yield Municipal 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. The value of municipal instruments can be affected by changes in their actual or perceived credit quality. The credit quality of municipal instruments can be affected by, among other things, the financial condition of the issuer or guarantor, the issuer's future borrowing plans and sources of revenue, the economic feasibility of the revenue bond project or general borrowing purpose, political or economic developments in the region where the instrument is issued and the liquidity of the security. Municipal instruments generally trade in the over-the-counter market. Municipal instruments backed by current and anticipated revenues from a specific project or specific assets can be negatively affected by the discontinuance of the taxation supporting the projects or assets or the inability to collect revenues for the project or from the assets. If the Internal Revenue Service determines an issuer of a municipal instrument has not complied with the applicable tax requirements, the security could decline in value, interest from the security could become taxable and the funds may be required to issue Forms 1099-DIV. The fund can invest 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.

**Investment Valuations** 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 reported by a third party pricing service. Short-term instruments with a maturity at issuance of 60 days or less may be valued at amortized cost, which approximates market value. Futures contracts are generally valued at last posted settlement price as reported by a third party pricing service on the market on which they are primarily traded. Futures contracts for which there were no trades that day for a particular position are generally valued at the closing bid quotation as reported by a third party pricing service on the market on which such futures contracts are primarily traded. Securities and other assets generally valued on the basis of

**Table of Contents**

*Notes to Financial Statements continued*

information from a third party pricing service may also be valued at a broker-dealer bid quotation. Values obtained from pricing services can utilize both dealer-supplied valuations and electronic data processing techniques, which take into account factors such as institutional-size trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data.

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. The adviser may rely on third party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of investments used to determine the fund's net asset value may differ from quoted or published prices for the same investments.

The fund adopted FASB Statement No. 157, Fair Value Measurements (the Statement). This Statement provides a single definition of fair value, a hierarchy for measuring fair value and expanded disclosures about fair value measurements.

Various inputs are used in determining the value of the fund's assets or liabilities carried at market value. These inputs are categorized into three broad levels. Level 1 includes 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

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

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, which are valued at the unrealized appreciation/depreciation on the instrument. The following is a summary of the levels used as of November 30, 2008 in valuing the fund's assets or liabilities carried at market value:

	Level 1	Level 2	Level 3	Total
Investments in Securities	\$	\$156,693,380	\$	\$156,693,380
Other Financial Instruments	\$(1,807,820)	\$	\$	\$(1,807,820)

**Derivative Risk** The fund may invest in derivatives 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 gain market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative's original cost. Cash that has been segregated on behalf of certain derivative contracts will be reported separately on the Statement of Assets and Liabilities as restricted cash. On some over-the-counter derivatives, the fund attempts to reduce its exposure to counterparty credit risk by entering into an 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 the fund the right, upon an event of default by the applicable counterparty, to close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the ISDA Master Agreement could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any. However, absent an event of default by the counterparty, 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. Derivative instruments include futures contracts and inverse floaters.

In March 2008, FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities (the Standard) was issued, and is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. This Standard provides enhanced disclosures about the fund's use of and accounting for derivative instruments and the effect of derivative instruments on the fund's results of operations and financial position. Management is evaluating the application of the Standard to the fund, and has not at this time determined the impact, if any, resulting from the adoption of this Standard on the fund's financial statements.

**Futures Contracts** The fund may enter into futures contracts for the delayed delivery of securities or currency, or contracts based on financial indices at a

**Table of Contents**

*Notes to Financial Statements continued*

fixed price on a future date. In entering such contracts, the fund is required to deposit with the broker either in cash or securities an amount equal to a certain percentage of the contract amount. Subsequent payments are made or received by the fund each day, depending on the daily fluctuations in the value of the contract, and are recorded for financial statement purposes as unrealized gains or losses by the fund. Upon entering into such contracts, the fund bears the risk of interest or exchange rates or securities prices moving unexpectedly, in which case, the fund may not achieve the anticipated benefits of the futures contracts and may realize a loss.

**Inverse Floaters** The fund invests in municipal inverse floating rate securities which are structured by the issuer (known as primary market inverse floating rate securities) or by an investment banker utilizing municipal bonds which have already been issued (known as secondary market inverse floating rate securities) to have variable rates of interest which typically move in the opposite direction of short term interest rates. A secondary market inverse floating rate security is created when an investment banker transfers a fixed rate municipal bond to a special purpose trust, and causes the trust to (a) issue floating rate certificates to third parties, in an amount equal to a fraction of the par amount of the deposited bonds (these certificates usually pay tax-exempt interest at short-term interest rates that typically reset weekly; and the certificate holders typically, on seven days notice, have the option to tender their certificates to the investment banker or another party for redemption at par plus accrued interest), and (b) issue inverse floating rate certificates (sometimes referred to as inverse floaters). If the holder of the inverse floater transfers the municipal bonds to an investment banker for the purpose of depositing the municipal bonds into the special purpose trust, the inverse floating rate certificates that are issued by the trust are referred to as self-deposited inverse floaters. If the bonds held by the trust are purchased by the investment banker for deposit into the trust from someone other than the purchasers of the inverse floaters, the inverse floating rate certificates that are issued by the trust are referred to as externally deposited inverse floaters. Such self-deposited inverse floaters held by the fund are accounted for as secured borrowings, with the municipal bonds reflected in the investments of the fund and amounts owed to the holder of the floating rate certificate under the provisions of the trust, which amounts are paid solely from the assets of the trust, reflected as liabilities of the fund in the Statement of Assets and Liabilities under the caption, Payable to the holder of the floating rate certificate from trust assets. At November 30, 2008, the fund did not hold any floating rate certificates. For the year ended November 30, 2008, the average daily payable to the holder of the floating rate certificate from trust assets was \$3,073,770 at a weighted average interest rate of 1.90%. Interest expense and fees relate to interest payments made to the holder of certain floating rate certificates and associated fees, both of which are made from trust assets.

**Table of Contents**

*Notes to Financial Statements continued*

Interest expense and fees are recorded as incurred. For the year ended November 30, 2008, interest expense and fees in connection with self-deposited inverse floaters held during the year was \$58,318. Primary and externally deposited inverse floaters held by the fund are not accounted for as secured borrowings.

**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 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.

Legal fees and other related expenses incurred to preserve and protect the value of a security owned are added to the cost of the security; other legal fees are expensed. Capital infusions made directly to the security issuer, which are generally non-recurring, incurred to protect or enhance the value of high-yield debt securities, are reported as additions to the cost basis of the security. Costs that are incurred to negotiate the terms or conditions of capital infusions or that are expected to result in a plan of reorganization are reported as realized losses. Ongoing costs incurred to protect or enhance an investment, or costs incurred to pursue other claims or legal actions, are expensed.

**Fees Paid Indirectly** The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. This amount, for the year ended November 30, 2008, 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 and tax-exempt income, including realized capital gains. As a result, no provision for federal income taxes is required. The fund adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (the Interpretation) on the first

**Table of Contents**

*Notes to Financial Statements continued*

day of the fund's fiscal year. The Interpretation prescribes a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. There was no impact resulting from the adoption of this Interpretation on the fund's financial statements. Each of the fund's federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service.

Distributions to shareholders are recorded on the ex-dividend date. 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 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 expiration of capital loss carryforwards, amortization and accretion of debt securities, defaulted bonds, and derivative transactions.

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

	11/30/08	11/30/07
Ordinary income (including any short-term capital gains)	\$3,208	\$390
Tax-exempt income	12,161,428	11,878,891
Total distributions	\$12,164,636	\$11,879,281

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

**As of 11/30/08**

Cost of investments	\$191,133,581
Gross appreciation	2,943,684
Gross depreciation	(37,383,885)
Net unrealized appreciation (depreciation)	\$(34,440,201)
Undistributed ordinary income	105,243
Undistributed tax-exempt income	212,546
Capital loss carryforwards	(49,149,878)
Post-October capital loss deferral	(6,271,624)
Other temporary differences	(187,518)

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

As of November 30, 2008, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

11/30/09	\$(3,114,307)
11/30/10	(7,684,792)
11/30/11	(4,393,912)
11/30/12	(4,060,511)
11/30/14	(7,119,782)
11/30/15	(11,048,097)
11/30/16	(11,728,477)
	\$(49,149,878)

**(3) Transactions with Affiliates**

**Investment Adviser** The fund has an investment advisory agreement with Massachusetts Financial Services Company (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 0.65% of the fund's average daily net assets (including the value of auction preferred shares).

The investment adviser has agreed in writing to pay a portion of the fund's total annual operating expenses, exclusive of interest, taxes, extraordinary expenses, brokerage and transaction costs, and investment-related expenses other than remarketing fees, such that total annual fund operating expenses do not exceed 0.87% annually of the fund's average daily net assets (including the value of auction preferred shares). This written agreement will continue until modified by the fund's Board of Trustees, but such agreement will continue at least until November 30, 2009. For the year ended November 30, 2008, this reduction amounted to \$111,347 and is reflected as a reduction of total expenses in the Statement of Operations.

**Transfer Agent** The fund engages Computershare Trust Company, N.A. (Computershare) as the sole transfer agent for the fund's common shares. MFS Service Center, Inc. (MFSC) monitors and supervises the activities of Computershare for an agreed upon fee approved by the Board of Trustees. For the year ended November 30, 2008, these fees paid to MFSC amounted to \$20,591. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the year ended November 30, 2008, 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 a fixed amount plus a fee based on average daily net assets. The fund's annual fixed amount is \$17,500.



## **Table of Contents**

### *Notes to Financial Statements continued*

The administrative services fee incurred for the year ended November 30, 2008 was equivalent to an annual effective rate of 0.0186% of the fund's average daily net assets (including the value of auction preferred shares).

**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 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.

**Deferred Trustee Compensation** The fund's former independent trustees participated in a Deferred Compensation Plan (the Plan). The fund's current independent trustees are not allowed to defer compensation under the Plan. 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 is \$18,127 of deferred trustees' compensation.

**Other** This fund and certain other MFS funds (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The ICCO and Assistant ICCO are officers of the funds and the sole members of Tarantino LLC and Griffin Compliance LLC, respectively. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. For the year ended November 30, 2008, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were \$1,094 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 \$646, 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.

#### **(4) Portfolio Securities**

Purchases and sales of investments, other than U.S. Government securities, purchased option transactions, and short-term obligations, aggregated \$71,570,556 and \$108,121,683, 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 fund reserves the right to repurchase shares of beneficial interest of the fund subject to Trustee

**Table of Contents**

*Notes to Financial Statements continued*

approval. During the years ended November 30, 2008 and 2007, the fund did not repurchase any shares. Transactions in fund shares were as follows:

	Year ended 11/30/08		Year ended 11/30/07	
	Shares	Amount	Shares	Amount
Shares issued to shareholders in reinvestment of distributions	56,638	\$273,134	42,670	\$249,082

**(6) Line of Credit**

The fund and other funds managed by MFS participate in a \$1 billion unsecured committed line of credit provided by a syndication of banks under a credit agreement. In addition, the fund and other funds managed by MFS have established uncommitted borrowing arrangements with certain banks. 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 Federal Reserve funds rate plus 0.30%. In addition, 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. For the year ended November 30, 2008, the fund's commitment fee and interest expense were \$303 and \$0, respectively, and are included in miscellaneous expense on the Statement of Operations.

**(7) Auction Preferred Shares**

The fund issued 3,600 shares of Auction Preferred Shares (APS), at November 30, 2008, 3,000 shares are outstanding. Dividends are cumulative at a rate that is reset every seven days through an auction process. If the APS are unable to be remarketed on a remarketing date as part of the auction process, the fund would be required to pay the maximum applicable rate on APS to holders of such shares for successive dividend periods until such time when the shares are successfully remarketed. The maximum rate on APS is equal to 110% of the higher of (i) the Taxable Equivalent of the Short-Term Municipal Bond Rate or (ii) the AA Composite Commercial Paper Rate.

Since February 2008, regularly scheduled auctions for APS issued by closed end funds, including MFS High Yield Municipal Trust, have consistently failed because of insufficient demand (bids to buy shares) to meet the supply (shares offered for sale) at each auction. In a failed auction, APS holders cannot sell their shares tendered for sale. While repeated auction failures have affected the liquidity for APS, they do not constitute a default or automatically alter the credit quality of the APS, and APS holders have continued to receive dividends at the previously defined maximum rate. During the year ended November 30, 2008, the APS dividend rates ranged from 1.44% to 10.21%. For the year ended November 30, 2008, the average dividend rate was 3.62%. These developments with respect to APS do not affect the management or investment policies of the fund. However, one implication of these auction

**Table of Contents**

*Notes to Financial Statements continued*

failures for Common shareholders is that the fund's cost of leverage will be higher than it otherwise would have been had the auctions continued to be successful. As a result, the fund's future Common share earnings may be lower than they otherwise would have been. To the extent that investments are purchased with the issuance of preferred shares, the fund's net asset value will increase or decrease at a greater rate than a comparable unleveraged fund.

On August 21, 2008, the fund redeemed 600 shares of APS at a price of \$25,000 per share plus any accrued and unpaid dividends through the redemption date for the aggregate price of \$15,000,000. The fund initially financed the APS redemptions through the creation of tender option bonds, whereby the fund transferred highly rated fixed rate municipal bonds held in its portfolio to a special purpose trust that issued floating rate certificates and inverse floating rate certificates. The fund held the inverse floating rate certificates and used the proceeds from the sale of the floating rate certificates to redeem a portion of the APS. The fund subsequently sold the tender option bond and inverse floater.

The fund pays an annual fee equivalent to 0.25% of the preferred share liquidation value for remarketing efforts associated with the preferred auction. The APS are redeemable at the option of the fund in whole or in part at the redemption price equal to \$25,000 per share, plus accumulated and unpaid dividends. The APS are also subject to mandatory redemption if certain requirements relating to its asset maintenance coverage are not satisfied. The fund is required to maintain certain asset coverage with respect to the APS as defined in the fund's By-Laws and the Investment Company Act of 1940 and, as such is not permitted to declare common share dividends unless the fund's APS have a minimum asset coverage ratio of 200% after declaration of the common share dividends.

Table of Contents

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Shareholders of MFS High Yield Municipal Trust:

We have audited the accompanying statement of assets and liabilities of MFS High Yield Municipal Trust (the Fund), including the portfolio of investments, as of November 30, 2008, and the related statement of operations for the year then ended, and the statements of changes in net assets and the financial highlights for each of the two years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for each of the three years in the period ended November 30, 2006 were audited by another independent registered public accounting firm whose report, dated January 25, 2007, expressed an unqualified opinion on those financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of November 30, 2008, by correspondence with the Fund's custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MFS High Yield Municipal Trust at November 30, 2008, the results of its operations for the year then ended, and the changes in its net assets and the financial highlights for each of the two years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts

January 20, 2009

**Table of Contents****RESULTS OF SHAREHOLDER MEETING**

(unaudited)

At the annual meeting of shareholders of MFS High Yield Municipal Trust, which was held on October 9, 2008, the following actions were taken:

**Item 1.** To elect the following individuals as Trustees, elected by the holders of common and preferred shares together:

Nominee	Number of Shares	
	Affirmative	Abstain
William R. Gutow	23,082,487.69	1,058,464.43
Michael Hegarty	23,041,051.94	1,099,900.18
Robert W. Uek	23,096,818.23	1,044,133.89

**Item 2.** To elect the following individuals as Trustees, elected by the holders of preferred shares only:

Nominee	Number of Shares	
	Affirmative	Abstain
William R. Gutow	3,432.25	153.75
Michael Hegarty	3,432.25	153.75
Robert W. Uek	3,432.25	153.75
J. Atwood Ives	3,432.25	153.75
Laurie J. Thomsen	3,432.25	153.75

**Item 3.** To approve an amended and restated Declaration of Trust as further described in the proxy statement:

	Number of Common Shares	Number of Preferred Shares
For	15,292,123.99	3,127.05
Against	850,525.88	286.50
Abstain	676,808.25	172.46

**Item 4.** To amend or remove certain fundamental investment policies as further described in the proxy statement:

	Number of Common Shares	Number of Preferred Shares
For	14,956,717.41	3,127.05
Against	1,027,751.35	286.50
Abstain	834,989.36	172.46

Table of Contents

## TRUSTEES AND OFFICERS

## IDENTIFICATION AND BACKGROUND

The Trustees and officers of the Trust, as of January 1, 2009, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and officer is 500 Boylston Street, Boston, Massachusetts 02116.

<b>Name, Date of Birth</b>	<b>Position(s) Held with Fund</b>	<b>Trustee/Officer Since (h)</b>	<b>Principal Occupations During the Past Five Years &amp; Other Directorships (j)</b>
<b>INTERESTED TRUSTEES</b>			
Robert J. Manning (k)  (born 10/20/63)	Trustee	February 2004	Massachusetts Financial Services Company, Chief Executive Officer, President, Chief Investment Officer and Director
Robert C. Pozen (k)  (born 8/08/46)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman (since February 2004); Harvard Business School (education), Senior Lecturer (since 2008); Bell Canada Enterprises (telecommunications), Director (since March 2002); The Bank of New York, Director (finance), (March 2004 to May 2005); The Commonwealth of Massachusetts, Secretary of Economic Affairs (January 2002 to December 2002); Fidelity Investments, (investment advisor), Vice Chairman (until December 2001); Fidelity Management & Research Company (investment adviser), President (until July 2001); Telesat (satellite communications), Director (until November 2007)
<b>INDEPENDENT TRUSTEES</b>			
David H. Gunning  (born 5/30/42)	Trustee and Chair of Trustees	January 2004	Retired; Cleveland-Cliffs Inc. (mining products and service provider), Vice Chairman/Director (until May 2007); Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non Executive Chairman; Portman Limited (mining), Director (since 2005); Southwest Gas Corp. (natural gas distribution), Director (until May 2004)

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

<b>Name, Date of Birth</b>	<b>Position(s) Held with Fund</b>	<b>Trustee/Officer Since (h)</b>	<b>Principal Occupations During the Past Five Years &amp; Other Directorships (j)</b>
Robert E. Butler (n) (born 11/29/41)	Trustee	January 2006	Consultant – regulatory and compliance matters (since July 2002); PricewaterhouseCoopers LLP (professional services firm), Partner (until 2002)
Lawrence H. Cohn, M.D. (born 3/11/37)	Trustee	August 1993	Brigham and Women’s Hospital, Senior Cardiac Surgeon (since 2005); Harvard Medical School, Professor of Cardiac Surgery; Partners HealthCare, Physician Director of Medical Device Technology (since 2006); Brigham and Women’s Hospital, Chief of Cardiac Surgery (until 2005)
Maureen R. Goldfarb (born 4/06/55)	Trustee	January 2009	Private investor; John Hancock Financial Services, Inc., Executive Vice President (until 2004); John Hancock Mutual Funds, Trustee and Chief Executive Officer (until 2004)
William R. Gutow (born 9/27/41)	Trustee	December 1993	Private investor and real estate consultant; Capital Entertainment Management Company (video franchise), Vice Chairman; Texas Donuts (donut franchise), Vice Chairman (since 2007); Atlantic Coast Tan (tanning salons), Vice Chairman (until 2007)
Michael Hegarty (born 12/21/44)	Trustee	December 2004	Retired; AXA Financial (financial services and insurance), Vice Chairman and Chief Operating Officer (until 2001); The Equitable Life Assurance Society (insurance), President and Chief Operating Officer (until 2001)
J. Atwood Ives (born 5/01/36)	Trustee	February 1992	Private investor; KeySpan Corporation (energy related services), Director until 2004; Woodstock Corporation (investment advisory firm), Director until 2003

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

<b>Name, Date of Birth</b>	<b>Position(s) Held with Fund</b>	<b>Trustee/Officer Since (h)</b>	<b>Principal Occupations During the Past Five Years &amp; Other Directorships (j)</b>
John P. Kavanaugh  (born 11/04/54)	Trustee	January 2009	Private investor; The Hanover Insurance Group, Inc., Vice President and Chief Investment Officer (until 2006); Allmerica Investment Trust, Allmerica Securities Trust and Opus Investment Trust (investment companies), Chairman, President and Trustee (until 2006)
J. Dale Sherratt  (born 9/23/38)	Trustee	August 1993	Insight Resources, Inc. (acquisition planning specialists), President; Wellfleet Investments (investor in health care companies), Managing General Partner
Laurie J. Thomsen  (born 8/05/57)	Trustee	March 2005	New Profit, Inc. (venture philanthropy), Partner (since 2006); Private investor; Prism Venture Partners (venture capital), Co-founder and General Partner (until June 2004); The Travelers Companies (commercial property liability insurance), Director
Robert W. Uek  (born 5/18/41)	Trustee	January 2006	Consultant to investment company industry; PricewaterhouseCoopers LLP (professional services firm), Partner (until 1999); TT International Funds (mutual fund complex), Trustee (until 2005); Hillview Investment Trust II Funds (mutual fund complex), Trustee (until 2005)
<b>OFFICERS</b>			
Maria F. Dwyer (k)  (born 12/01/58)	President	November 2005	Massachusetts Financial Services Company, Executive Vice President and Chief Regulatory Officer (since March 2004) Chief Compliance Officer (since December 2006); Fidelity Management & Research Company, Vice President (prior to March 2004); Fidelity Group of Funds, President and Treasurer (until March 2004)



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

<b>Name, Date of Birth</b>	<b>Position(s) Held with Fund</b>	<b>Trustee/Officer Since (h)</b>	<b>Principal Occupations During the Past Five Years &amp; Other Directorships (j)</b>
Christopher R. Bohane (k) (born 1/18/74)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel
John M. Corcoran (k) (born 4/13/65)	Treasurer	October 2008	Massachusetts Financial Services Company, Senior Vice President (since October 2008); State Street Bank and Trust (financial services provider), Senior Vice President, (until September 2008)
Ethan D. Corey (k) (born 11/21/63)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel (since 2004); Dechert LLP (law firm), Counsel (prior to December 2004)
David L. DiLorenzo (k) (born 8/10/68)	Assistant Treasurer	July 2005	Massachusetts Financial Services Company, Vice President (since June 2005); JP Morgan Investor Services, Vice President (until June 2005)
Timothy M. Fagan (k) (born 7/10/68)	Assistant Secretary and Assistant Clerk	September 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel (since September 2005); John Hancock Advisers, LLC, Vice President, Senior Attorney and Chief Compliance Officer (until August 2005)
Mark D. Fischer (k) (born 10/27/70)	Assistant Treasurer	July 2005	Massachusetts Financial Services Company, Vice President (since May 2005); JP Morgan Investment Management Company, Vice President (until May 2005)
Robyn L. Griffin (born 7/04/75)	Assistant Independent Chief Compliance Officer	August 2008	Griffin Compliance LLC (provider of compliance services), Principal (since August 2008); State Street Corporation (financial services provider), Mutual Fund Administration Assistant Vice President (October 2006 – July 2008); Liberty Mutual Group (insurance), Personal Market Assistant Controller (April 2006 – October 2006); Deloitte & Touche LLP (professional services firm), Senior Manager (prior to April 2006)

**Table of Contents**

*Trustees and Officers continued*

<b>Name, Date of Birth</b>	<b>Position(s) Held with Fund</b>	<b>Trustee/Officer Since (h)</b>	<b>Principal Occupations During the Past Five Years &amp; Other Directorships (j)</b>
Brian E. Langenfeld (k) (born 3/07/73)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel (since May 2006); John Hancock Advisers, LLC, Assistant Vice President and Counsel (until April 2006)
Ellen Moynihan (k) (born 11/13/57)	Assistant Treasurer	April 1997	Massachusetts Financial Services Company, Senior Vice President
Susan S. Newton (k) (born 3/07/50)	Assistant Secretary and Assistant Clerk	May 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel (since April 2005); John Hancock Advisers, LLC, Senior Vice President, Secretary and Chief Legal Officer (until April 2005)
Susan A. Pereira (k) (born 11/05/70)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel (since June 2004); Bingham McCutchen LLP (law firm), Associate (until June 2004)
Mark N. Polebaum (k) (born 5/01/52)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary (since January 2006); Wilmer Cutler Pickering Hale and Dorr LLP (law firm), Partner (until January 2006)
Frank L. Tarantino (born 3/07/44)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider of compliance services), Principal (since June 2004); CRA Business Strategies Group (consulting services), Executive Vice President (until June 2004)
Richard S. Weitzel (k) (born 7/16/70)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Vice President and Assistant General Counsel (since 2004); Massachusetts Department of Business and Technology, General Counsel (until April 2004)
James O. Yost (k) (born 6/12/60)	Assistant Treasurer	September 1990	Massachusetts Financial Services Company, Senior Vice President

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

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**Table of Contents**

*Trustees and Officers continued*

- (j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., public companies ).
- (k) Interested person of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of position with MFS. The address of MFS is 500 Boylston Street, Boston, Massachusetts 02116.
- (n) In 2004 and 2005, Mr. Butler provided consulting services to the independent compliance consultant retained by MFS pursuant to its settlement with the SEC concerning market timing and related matters. The terms of that settlement required that compensation and expenses related to the independent compliance consultant be borne exclusively by MFS and, therefore, MFS paid Mr. Butler for the services he rendered to the independent compliance consultant. In 2004 and 2005, MFS paid Mr. Butler a total of \$351,119.29.

The Trust holds annual shareholder meetings for the purpose of electing Trustees, and Trustees are elected for fixed terms. The Board of Trustees is currently divided into three classes, each having a term of three years which term expires on the date of the third annual meeting following the election to office of the Trustee's class. Each year the term of one class expires. Two Trustees, each holding a term of one year, are elected annually by holders of the Trust's preferred shares. Each Trustee and officer will serve until next elected or his or her earlier death, resignation, retirement or removal.

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

Each of the Fund's Trustees and officers holds comparable positions with certain other funds of which MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2009, the Trustees served as board members of 105 funds within the MFS Family of Funds.

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

On November 5, 2008, Maria F. Dwyer, as President and Chief Executive Officer of the Trust, certified to the New York Stock Exchange that as of the date of her certification she was not aware of any violation by the Trust of the corporate governance listing standards of the New York Stock Exchange.

The Fund filed with the Securities and Exchange Commission the certifications of its principal executive officer and principal financial officer under Section 302 of the Sarbanes-Oxley Act of 2003 as an exhibit to the Fund's Form N-CSR for the period covered by this report.

**Investment Adviser**

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

**Portfolio Managers**

Gary Lasman  
Geoffrey Schechter

**Custodian**

State Street Bank and Trust Company  
225 Franklin Street, Boston, MA 02110

**Independent Registered Public Accounting Firm**

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

Table of Contents

## BOARD REVIEW OF INVESTMENT

## ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested ( independent ) Trustees, voting separately, annually approve the continuation of the Fund s investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2008 ( contract review meetings ) for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the MFS Funds ). The independent Trustees were assisted in their evaluation of the Fund s investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

In June 2007, shareholders approved an investment advisory agreement between the Fund and MFS. Effective June 30, 2007, in connection with the consummation of the asset purchase agreement between MFS and Columbia Management Advisors LLC, MFS assumed investment management responsibilities for the Fund.

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

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Lipper Inc., an independent third party, on the investment performance (based on net asset value) of the Fund for various time periods ended December 31, 2007 and the investment performance (based on net asset value) of a group of funds with substantially similar investment classifications/objectives (the Lipper performance universe ), (ii) information provided by

**Table of Contents**

*Board Review of Investment Advisory Agreement continued*

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

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

Based on information provided by Lipper Inc. and MFS, the Trustees reviewed the Fund's total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund's common shares in comparison to the performance of funds in its Lipper performance universe over the three-year period ended December 31, 2007, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund's common shares ranked 9th out of a total of 9 funds in the Lipper performance universe for this three-year period (a ranking of first place out of the total number of funds in the performance

**Table of Contents**

*Board Review of Investment Advisory Agreement continued*

universe indicating the best performer and a ranking of last place out of the total number of funds in the performance universe indicating the worst performer). The total return performance of the Fund's common shares ranked 9th out of a total of 9 funds for the one-year period and 6th out of a total of 6 funds for the five-year period ended December 31, 2007. Given the size of the Lipper performance universe and information previously provided by MFS regarding differences between the Fund and other funds in its Lipper performance universe, the Trustees also reviewed the Fund's performance in comparison to the Lehman Brothers Municipal Bond Index. The Fund under-performed the Lehman Brothers Municipal Bond Index for each of the one- and three- periods ended December 31, 2007 (one-year: 7.49% total return for the Fund versus 3.36% total return for the benchmark; three-year: 2.63% total return for the Fund versus 3.91% total return for the benchmark) and out-performed the Lehman Brothers Municipal Bond Index for the five-year period ended December 31, 2007 (five-year: 4.49% total return for the Fund versus 4.30% total return for the benchmark). Because of the passage of time, these performance results may differ from the performance results for more recent periods, including those shown elsewhere in this report.

The Trustees expressed concern to MFS about the substandard investment performance of the Fund. In the course of their deliberations, the Trustees took into account information provided by MFS in connection with the contract review meetings, as well as during investment review meetings conducted with portfolio management personnel during the course of the year as to MFS' efforts to improve the Fund's performance, including that MFS became the Fund's investment advisor in June 2007. In addition, the Trustees requested that they receive a separate update on the Fund's performance at each of their regular meetings. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that MFS' responses and efforts and plans to improve investment performance were sufficient to support approval of the continuance of the investment advisory agreement for an additional one-year period, but that they would continue to closely monitor the performance of the Fund.

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's common shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. The Trustees noted that MFS currently observes an expense limitation for the Fund. The Trustees considered that, according to the Lipper data, the Fund's effective advisory fee rate and the Fund's total expense ratio were each higher than the Lipper expense group median.

**Table of Contents**

*Board Review of Investment Advisory Agreement continued*

The Trustees also considered the advisory fees charged by MFS to institutional accounts. In comparing these fees, the Trustees considered information provided by MFS as to the generally broader scope of services provided by MFS to the Fund in comparison to institutional accounts and the impact on MFS and expenses associated with the more extensive regulatory regime to which the Fund is subject in comparison to institutional accounts.

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

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

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

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

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

**Table of Contents**

*Board Review of Investment Advisory Agreement continued*

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

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

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including a majority of the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2008.

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](http://mfs.com)).



## Table of Contents

### 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*.

### FEDERAL TAX INFORMATION (unaudited)

The fund will notify shareholders of amounts for use in preparing 2008 income tax forms in January 2009. The following information is provided pursuant to provisions of the Internal Revenue Code.

Of the dividends paid from net investment income during the fiscal year, 99.97% is designated as exempt interest dividends for federal income tax purposes. If the fund has earned income on private activity bonds, a portion of the dividends paid may be considered a tax preference item for purposes of computing a shareholder's alternative minimum tax.

**Table of Contents**

## MFS® PRIVACY NOTICE

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

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

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

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

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

If you have any questions about the MFS privacy policy, please call 1-800-225-2606 any business day between 8 a.m. and 8 p.m. Eastern time.

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

**Table of Contents**

**CONTACT INFORMATION**

**Investor Information**

Transfer Agent, Registrar and Dividend Disbursing Agent

Call 1-800-637-2304 any business day from 9 a.m. to 5 p.m. Eastern time

Write to: Computershare Trust Company, N.A.

P.O. Box 43078

Providence, RI 02940-3078

500 Boylston Street, Boston, MA 02116

**Table of Contents**

**ITEM 2. CODE OF ETHICS.**

The Registrant has adopted a Code of Ethics pursuant to Section 406 of the Sarbanes-Oxley Act and as defined in Form N-CSR that applies to the Registrant's principal executive officer and principal financial and accounting officer. The Registrant has not amended any provision in its Code of Ethics (the Code) that relates to an element of the Code's definitions enumerated in paragraph (b) of Item 2 of this Form N-CSR.

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

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

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

**Items 4(a) through 4(d) and 4(g):**

Prior to June 29, 2007, the Board of Trustees had appointed PricewaterhouseCoopers ( PWC ) to serve as independent accountants to the Registrant (hereinafter the Registrant or the Fund ). The tables below set forth the audit fees billed to the Fund as well as fees for non-audit services provided to the Fund and/or to the Fund's former investment adviser, Columbia Management Advisors, LLC ( Columbia ), and to various entities either controlling, controlled by, or under common control with Columbia that provide ongoing services to the Fund ( Columbia Related Entities ). On June 29, 2007, the Board of Trustees appointed Ernst & Young LLP ( E&Y ) to serve as independent accountants to the Registrant. The tables below set forth the audit fees billed to the Fund as well as fees for non-audit services provided to the Fund and/or to the Fund's investment adviser as of June 29, 2007, Massachusetts Financial Services Company ( MFS ), and to various entities either controlling, controlled by, or under common control with MFS that provide ongoing services to the Fund ( MFS Related Entities ).

**Table of Contents**

For the fiscal years ended November 30, 2008 and 2007, audit fees billed to the Fund by PWC and E&Y, as the case may be, were as follows:

	Audit Fees	
	2008	2007
<b>Fees billed by PWC:</b>		
MFS High Yield Municipal Trust	0	0
<b>Fees billed by E&amp;Y:</b>		
MFS High Yield Municipal Trust	47,054	45,200

For the fiscal years ended November 30, 2008 and 2007, fees billed by PWC for audit-related, tax and other services provided to the Fund and for audit-related, tax and other services provided to Columbia and Columbia Related Entities were as follows

	Audit-Related Fees <sup>1</sup>		Tax Fees <sup>2</sup>		All Other Fees <sup>3</sup>	
	2008	2007	2008	2007	2008	2007
<b>Fees billed by PWC:</b>						
To MFS High Yield Municipal Trust	0	5,600	0	3,500	0	0
To Columbia and Columbia Related Entities of MFS High Yield Municipal Trust*	0	0	0	0	0	357,970

**Aggregate fees for non-audit**

**Services:**

	2008	2007
To MFS High Yield Municipal Trust, Columbia and Columbia Related Entities#	0	367,070

**Table of Contents**

For the fiscal years ended November 30, 2008 and 2007, billed by E&Y for audit-related, tax and other services provided to the Fund and for audit-related, tax and other services provided to MFS and MFS Related Entities were as follows:

Fees billed by E&Y:	Audit-Related Fees <sup>1</sup>		Tax Fees <sup>2</sup>		All Other Fees <sup>3</sup>	
	2008	2007	2008	2007	2008	2007
To MFS High	10,000	0	8,849	8,550	0	0
Yield Municipal Trust						
To MFS and MFS Related	0	0	0	0	0	0
Entities of MFS High						
Yield Municipal Trust**						

**Aggregate fees for non-audit**

**Services:**

	2008	2007
To MFS High Yield	230,266	123,959
Municipal Trust, MFS		
and MFS Related		
Entities <sup># #</sup>		

\* This amount reflects the fees billed to Columbia and Columbia Related Entities for non-audit services relating directly to the operations and financial reporting of the Fund.

# This amount reflects the aggregate fees billed by PWC for non-audit services rendered to the Fund and for non-audit services rendered to Columbia and the Columbia Related Entities.

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

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

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

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

<sup>3</sup> The fees included under **All Other Fees** are fees for products and services provided by PWC or E&Y other than those reported under **Audit Fees**, **Audit-Related Fees** and **Tax Fees**, including fees for the subscription to tax treatise and for services related to analysis of fund administrative expenses, compliance program and records management projects.

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

Set forth below are the policies and procedures established by the Audit Committee of the Board of Trustees on June 29, 2007 relating to the pre-approval of audit and non-audit related services:

To the extent required by applicable law, pre-approval by the Audit Committee of the Board is needed for all audit and permissible non-audit services rendered to the Fund and all permissible non-audit services rendered to MFS or MFS Related Entities if the services relate directly to the operations and financial reporting of the Registrant. Pre-approval is currently on an engagement-by-engagement basis. In the event pre-approval of such services is necessary between regular meetings of the Audit Committee and it is not practical to wait to seek pre-approval at the next regular meeting of the Audit Committee,

**Table of Contents**

pre-approval of such services may be referred to the Chair of the Audit Committee for approval; provided that the Chair may not pre-approve any individual engagement for such services exceeding \$50,000 or multiple engagements for such services in the aggregate exceeding \$100,000 between such regular meetings of the Audit Committee. Any engagement pre-approved by the Chair between regular meetings of the Audit Committee shall be presented for ratification by the entire Audit Committee at its next regularly scheduled meeting.

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

For any period covered by this Form N-CSR and prior to June 29, 2007, none or 0%, of the services relating to the Audit-Related Fees, Tax Fees and All Other Fees paid by the Fund and Columbia and Columbia Related Entities relating directly to the operations and financial reporting of the Registrant disclosed above were approved by the audit committee pursuant to paragraphs (c)(7)(i)(C) of Rule 2-01 of Regulation S-X (which permits audit committee approval after the start of the engagement with respect to services other than audit, review or attest services, if certain conditions are satisfied). For any period covered by this Form N-CSR on or after June 29, 2007, none, or 0%, of the services relating to the Audit-Related Fees, Tax Fees and All Other Fees paid by the Fund and MFS and MFS Related Entities relating directly to the operations and financial reporting of the Registrant disclosed above were approved by the audit committee pursuant to paragraphs (c)(7)(i)(C) of Rule 2-01 of Regulation S-X (which permits audit committee approval after the start of the engagement with respect to services other than audit, review or attest services, if certain conditions are satisfied).

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

**Item 4(h):** For any period covered by this Form N-CSR and prior to June 29, 2007, the Registrant's Audit Committee considered whether the provision by PWC of non-audit services to Columbia and Columbia Related Entities that were not pre-approved by the Committee (because such services were provided prior to the effectiveness of SEC rules requiring pre-approval or because such services did not relate directly to the operations and financial reporting of the Registrant) was compatible with maintaining the independence of PWC as the Registrant's principal auditors. For any period covered by this Form N-CSR on or after June 29, 2007, the Registrant's Audit Committee considered whether the provision by a E&Y of non-audit services to MFS and MFS Related Entities that were not pre-approved by the Committee (because such services were provided prior to the effectiveness of SEC rules requiring pre-approval or because such services did not relate directly to the operations and financial reporting of the Registrant) was compatible with maintaining the independence of the independent registered public accounting firm as the Registrant's principal auditors.

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

The Registrant has an Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the Audit Committee are Messrs.



**Table of Contents**

Robert E. Butler, John P. Kavanaugh, J. Dale Sherratt and Robert W. Uek and Ms. Laurie J. Thomsen.

**ITEM 6. SCHEDULE OF INVESTMENTS**

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

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

**MASSACHUSETTS FINANCIAL SERVICES COMPANY**

**PROXY VOTING POLICIES AND PROCEDURES**

**January 1, 2009**

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

The MFS Proxy Voting Policies and Procedures include:

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

## **Table of Contents**

### **A. VOTING GUIDELINES**

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

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

In developing these proxy voting guidelines, MFS periodically reviews corporate governance issues and proxy voting matters that are presented for shareholder vote by either management or shareholders of public companies. Based on the overall principle that all votes cast by MFS on behalf of its clients must be in what MFS believes to be the best long-term economic interests of such clients, MFS has adopted proxy voting guidelines, set forth below, that govern how MFS generally will vote on specific matters presented for shareholder vote. In all cases, MFS will exercise its discretion in voting on these matters in accordance with this overall principle. In other words, the underlying guidelines are simply that guidelines. Proxy items of significance are often considered on a case-by-case basis, in light of all relevant facts and circumstances, and in certain cases MFS may vote proxies in a manner different from what otherwise would be dictated by these guidelines.

As a general matter, MFS maintains a consistent voting position on similar proxy proposals with respect to various issuers. In addition, MFS generally votes consistently on the same matter when securities of an issuer are held by multiple client accounts. However, MFS recognizes that there are gradations in certain types of proposals that might result in different voting positions being taken with respect to different proxy statements. There also may be situations involving matters presented for shareholder vote that are not governed by the guidelines or situations where MFS has received explicit voting instructions from a client for its own account. Some items that otherwise would be acceptable will be voted against the proponent when it is seeking extremely broad flexibility without offering a valid explanation. MFS reserves the right to override the guidelines with respect to a particular shareholder vote when such an override is, in MFS best judgment, consistent with the overall principle of voting proxies in the best long-term economic interests of MFS clients.

From time to time, MFS may receive comments on the MFS Proxy Voting Policies and Procedures from its clients. These comments are carefully considered by MFS when it reviews these guidelines each year and revises them as appropriate.

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

## **Table of Contents**

### **2. MFS Policy on Specific Issues**

#### **Election of Directors**

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

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

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

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

## **Table of Contents**

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

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

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

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

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

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

### **Classified Boards**

MFS opposes proposals to classify a board (*e.g.* a board in which only one-third of board members is elected each year). MFS supports proposals to declassify a board.

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

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

MFS also opposes stock option programs that allow the board or the compensation committee, without shareholder approval, to reprice underwater options or to automatically replenish shares (*i.e.* evergreen plans). MFS will consider on a case-by-case basis proposals to exchange existing options for newly issued options (taking into account such factors as whether there is a reasonable value-for-value exchange).

## **Table of Contents**

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

### **Expensing of Stock Options**

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

### **Executive Compensation**

MFS believes that competitive compensation packages are necessary to attract, motivate and retain executives. Therefore, MFS opposes shareholder proposals that seek to set restrictions on executive compensation. We believe that the election of an issuer's compensation committee members is the appropriate mechanism to express our view on a company's compensation practices, as outlined above. MFS also opposes shareholder requests for disclosure on executive compensation beyond regulatory requirements because we believe that current regulatory requirements for disclosure of executive compensation are appropriate and that additional disclosure is often unwarranted and costly. Although we support linking executive stock option grants to a company's performance, MFS opposes shareholder proposals that mandate a link of performance-based options to a specific industry or peer group stock index. MFS believes that compensation committees should retain the flexibility to propose the appropriate index or other criteria by which performance-based options should be measured.

MFS will generally support management proposals on its executive compensation practices during the issuer's prior fiscal year. However, if MFS identifies excessive executive compensation practices during the issuer's prior fiscal year, then MFS will vote against such proposals.

MFS generally votes with management on shareholder proposals to include an annual advisory shareholder vote on the company's executive compensation practices in the issuer's proxy statement ( Say on Pay ). However, if MFS identifies excessive executive compensation practices at the issuer during the prior fiscal year, then MFS will support such Say on Pay shareholder proposals at those issuers. MFS also supports reasonably crafted shareholder proposals that (i) require the issuer to adopt a policy to recover the portion of performance-based bonuses and awards paid to senior executives that were not earned based upon a significant negative restatement of earnings unless the company already has adopted a clearly satisfactory policy on the matter, or (ii) expressly prohibit any future backdating of stock options.

## **Table of Contents**

### **Employee Stock Purchase Plans**

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

### **Golden Parachutes**

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

### **Anti-Takeover Measures**

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

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

## **Table of Contents**

### **Reincorporation and Reorganization Proposals**

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

### **Issuance of Stock**

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

### **Repurchase Programs**

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

### **Confidential Voting**

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

### **Cumulative Voting**

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

## **Table of Contents**

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

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

### **Independent Auditors**

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

### **Other Environmental, Social and Governance Issues**

There are many groups advocating social change or changes to corporate governance or corporate responsibility standards, and many have chosen the publicly-held corporation as a vehicle for advancing their agenda. Generally, MFS votes with management on such proposals unless MFS can clearly determine that the benefit to shareholders will outweigh any costs or disruptions to the business if the proposal were adopted. Common among the shareholder proposals that MFS generally votes with management are proposals requiring the company to use corporate resources to further a particular social objective outside the business of the company, to refrain from investing or conducting business in certain countries, to adhere to some list of goals or principles (e.g., environmental standards), to permit shareholders access to the company's proxy statement in connection with the election of directors, to disclose political contributions made by the issuer, to separate the Chairman and Chief Executive Officer positions, or to promulgate special reports on various activities or proposals for which no discernible shareholder economic advantage is evident.

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



## **Table of Contents**

### **Foreign Issuers**

Many of the items on foreign proxies involve repetitive, non-controversial matters that are mandated by local law. Accordingly, the items that are generally deemed routine and which do not require the exercise of judgment under these guidelines (and therefore voted with management) for foreign issuers include, but are not limited to, the following: (i) receiving financial statements or other reports from the board; (ii) approval of declarations of dividends; (iii) appointment of shareholders to sign board meeting minutes; (iv) discharge of management and supervisory boards; and (v) approval of share repurchase programs.

MFS generally supports the election of a director nominee standing for re-election in uncontested elections unless it can be determined that (1) he or she failed to attend at least 75% of the board and/or relevant committee meetings in the previous year without a valid reason given in the proxy materials; (2) since the last annual meeting of shareholders and without shareholder approval, the board or its compensation committee has re-priced underwater stock options; or (3) since the last annual meeting, the board has either implemented a poison pill without shareholder approval or has not taken responsive action to a majority shareholder approved resolution recommending that the poison pill be rescinded. MFS will also not support a director nominee standing for re-election of an issuer that has adopted an excessive compensation package for its senior executives as described above in the section entitled *Voting Guidelines-MFS Policy on Specific Issues-Election of Directors*.

MFS generally supports the election of auditors, but may determine to vote against the election of a statutory auditor in certain markets if MFS reasonably believes that the statutory auditor is not truly independent. MFS will evaluate all other items on proxies for foreign companies in the context of the guidelines described above, but will generally vote against an item if there is not sufficient information disclosed in order to make an informed voting decision.

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

**Table of Contents**

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

**B. ADMINISTRATIVE PROCEDURES**

**1. MFS Proxy Voting Committee**

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

- a. Reviews these MFS Proxy Voting Policies and Procedures at least annually and recommends any amendments considered to be necessary or advisable;
- b. Determines whether any potential material conflict of interest exist with respect to instances in which MFS (i) seeks to override these MFS Proxy Voting Policies and Procedures; (ii) votes on ballot items not governed by these MFS Proxy Voting Policies and Procedures; (iii) evaluates an excessive executive compensation issue in relation to the election of directors; or (iv) requests a vote recommendation from an MFS portfolio manager or investment analyst (e.g. mergers and acquisitions); and
- c. Considers special proxy issues as they may arise from time to time.

**2. Potential Conflicts of Interest**

The MFS Proxy Voting Committee is responsible for monitoring potential material conflicts of interest on the part of MFS or its subsidiaries that could arise in connection with the voting of proxies on behalf of MFS clients. Due to the client focus of our investment management business, we believe that the potential for actual material conflict of interest issues is small. Nonetheless, we have developed precautions to assure that all proxy votes are cast in the best long-term economic interest of shareholders. Other MFS internal policies require all MFS employees to avoid actual and potential conflicts of interests between personal activities and MFS client activities. If an employee identifies an actual or potential conflict of interest with respect to any voting decision, then that employee must recuse himself/herself from participating in the voting process.

**Table of Contents**

Additionally, with respect to decisions concerning all Non Standard Votes, as defined below, MFS will review the securities holdings reported by the individuals that participate in such decision to determine whether such person has a direct economic interest in the decision, in which case such person shall not further participate in making the decision. Any significant attempt by an employee of MFS or its subsidiaries to influence MFS voting on a particular proxy matter should also be reported to the MFS Proxy Voting Committee.

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

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

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

## **Table of Contents**

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

### **3. Gathering Proxies**

Most U.S. proxies received by MFS and its clients originate at Automatic Data Processing Corp. ( ADP ) although a few proxies are transmitted to investors by corporate issuers through their custodians or depositories. ADP and other service providers, on behalf of issuers, send proxy related material to the record holders of the shares beneficially owned by MFS clients, usually to the client s proxy voting administrator or, less commonly, to the client itself. This material will include proxy ballots reflecting the shareholdings of Funds and of clients on the record dates for such shareholder meetings, as well as proxy statements with the issuer s explanation of the items to be voted upon.

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

### **4. Analyzing Proxies**

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

As a general matter, portfolio managers and investment analysts have little or no involvement in specific votes taken by MFS. This is designed to promote consistency in the application of MFS voting guidelines, to promote consistency in voting on the same or

## **Table of Contents**

similar issues (for the same or for multiple issuers) across all client accounts, and to minimize the potential that proxy solicitors, issuers, or third parties might attempt to exert inappropriate influence on the vote. In limited types of votes (e.g., corporate actions, such as mergers and acquisitions), a representative of MFS Proxy Voting Committee may consult with or seek recommendations from MFS portfolio managers or investment analysts.<sup>1</sup> However, the MFS Proxy Voting Committee would ultimately determine the manner in which all proxies are voted.

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

### **5. Voting Proxies**

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

### **6. Securities Lending**

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

<sup>1</sup> From time to time, due to travel schedules and other commitments, an appropriate portfolio manager or research analyst is not available to provide a recommendation on a merger or acquisition proposal. If such a recommendation cannot be obtained prior to the cut-off date of the shareholder meeting, certain members of the MFS Proxy Voting Committee may determine to abstain from voting.

## **Table of Contents**

### ***C. MONITORING SYSTEM***

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

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

### ***D. RECORDS RETENTION***

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

### ***E. REPORTS***

#### **MFS Funds**

MFS publicly discloses the proxy voting records of the MFS Funds on an annual basis, as required by law. MFS will also report the results of its voting to the Board of Trustees and Board of Managers of the MFS Funds. These reports will include: (i) a summary of how votes were cast; (ii) a summary of votes against management's recommendation; (iii) a review of situations where MFS did not vote in accordance with the guidelines and the rationale therefore; (iv) a review of the procedures used by MFS to identify material conflicts of interest and any matters identified as a material conflict of interest; (v) a review of these policies and the guidelines, (vi) a report and impact

**Table of Contents**

assessment of instances in which the recall of loaned securities of a U.S. issuer was unsuccessful, and, as necessary or appropriate, any proposed modifications thereto to reflect new developments in corporate governance and other issues. Based on these reviews, the Trustees and Managers of the MFS Funds will consider possible modifications to these policies to the extent necessary or advisable.

**All MFS Advisory Clients**

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

Except as described above, MFS generally will not divulge actual voting practices to any party other than the client or its representatives (unless required by applicable law) because we consider that information to be confidential and proprietary to the client.

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

**General.** Information regarding the portfolio manager(s) of the MFS High Yield Municipal Trust (the Fund ) is set forth below.

<b>Portfolio Manager</b>	<b>Primary Role</b>	<b>Since</b>	<b>Title and Five Year History</b>
Geoffrey L. Schechter	Portfolio Manager	2007	Investment Officer of MFS; employed in the investment area of MFS since 1993.
Gary A. Lasman	Portfolio Manager	2007	Investment Officer of MFS; employed in the investment area of MFS since 2002.

**Compensation.** Portfolio manager total cash compensation is a combination of base salary and performance bonus:

*Base Salary* Base salary represents a smaller percentage of portfolio manager total cash compensation (generally below 10%) than performance bonus.

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

**Table of Contents**

The performance bonus is based on a combination of quantitative and qualitative factors, with more weight given to the former (generally over 60%) and less weight given to the latter.

The quantitative portion is based on pre-tax performance of assets managed by the portfolio manager over one-, three- and five-year periods relative to peer group universes and/or indices ( benchmarks ). As of December 31, 2007, the following benchmarks were used:

<b>Portfolio Manager</b>	<b>Benchmark(s)</b>
Geoffrey L. Schechter	Lipper General Municipal Debt Funds Lipper Short-Intermediate Municipal Debt Funds Lipper High Yield Municipal Debt Funds Lipper General US Government Funds Barclays Capital Municipal Index Barclays Capital Government Mortgage Index Morningstar Dollar Government Bond Funds
Gary A. Lasman	Lipper High Yield Municipal Debt Funds Barclays Capital U.S. Municipal Index

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

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

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

Finally, portfolio managers are provided with a benefits package including a defined contribution plan, health coverage and other insurance, which are available to other employees of MFS on substantially similar terms. The percentage such benefits represent of any portfolio manager's compensation depends upon the length of the individual's tenure at MFS and salary level, as well as other factors.



**Table of Contents**

**Ownership of Fund Shares.** The following table shows the dollar range of equity securities of the Fund beneficially owned by the Fund's portfolio manager(s) as of the fund's fiscal year ended November 30, 2008. The following dollar ranges apply:

- N. None
- A. \$1 - \$10,000
- B. \$10,001 - \$50,000
- C. \$50,001 - \$100,000
- D. \$100,001 - \$500,000
- E. \$500,001 - \$1,000,000
- F. Over \$1,000,000

Name of Portfolio Manager	Dollar Range of Equity Securities in Fund
Geoffrey L. Schechter	N
Gary A. Lasman	N

**Other Accounts.** In addition to the Fund, the Fund's portfolio manager is responsible (either individually or jointly) for the day-to-day management of certain other accounts, the number and assets of which, as of the Fund's fiscal year ended November 30, 2008 were as follows:

Name	Registered Investment Companies		Other Pooled Investment Vehicles		Other Accounts	
	Number of Accounts*	Total Assets*	Number of Accounts	Total Assets	Number of Accounts	Total Assets
Geoffrey L. Schechter	13	\$ 6.0 billion	1	\$ 443.4 million	0	N/A
Gary A. Lasman	4	\$ 2.0 billion	0	N/A	0	N/A

\* Includes the Fund.

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

**Potential Conflicts of Interest.**

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

The management of multiple funds and accounts (including proprietary accounts) may give rise to potential conflicts of interest if the funds and accounts have different objectives and strategies, benchmarks, time horizons and fees as a portfolio manager must allocate his or her time and investment ideas across multiple funds and accounts. In certain instances there are securities which are suitable for the Fund's portfolio as well as for accounts of the Adviser or its subsidiaries with similar investment objectives. A Fund's trade allocation

**Table of Contents**

policies may give rise to conflicts of interest if the Fund's orders do not get fully executed or are delayed in getting executed due to being aggregated with those of other accounts of the Adviser or its subsidiaries. A portfolio manager may execute transactions for another fund or account that may adversely impact the value of the Fund's investments. Investments selected for funds or accounts other than the Fund may outperform investments selected for the Fund.

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

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

**ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.**

**MFS High Yield Municipal 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>
12/1/07-12/31/07	0	N/A	0	2,781,028
1/1/08-1/31/08	0	N/A	0	2,781,028
2/1/08-2/29/08	0	N/A	0	2,781,028
3/1/08-3/31/08	0	N/A	0	2,781,028
4/1/08-4/30/08	0	N/A	0	2,781,028
5/1/08-5/31/08	0	N/A	0	2,781,028
6/1/08-6/30/08	0	N/A	0	2,781,028
7/1/08-7/31/08	0	N/A	0	2,781,028
8/1/08-8/31/08	0	N/A	0	2,781,028
9/1/08-9/30/08	0	N/A	0	2,781,028
10/01/08-10/31/08	0	N/A	0	2,781,028
11/01/08-11/30/08	0	N/A	0	2,781,028
<b>Total</b>	<b>0</b>		<b>0</b>	

**Table of Contents**

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, 2008 plan year is 2,781,028.

**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.

**Table of Contents**

**ITEM 12. EXHIBITS.**

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

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

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

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

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

**Table of Contents**

**Notice**

A copy of the Agreement and Declaration of Trust, as amended, 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.

**Table of Contents**

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 HIGH YIELD MUNICIPAL TRUST

By (Signature and Title)\* MARIA F. DWYER  
Maria F. Dwyer, President

Date: January 15, 2009

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: January 15, 2009

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

(Principal Financial Officer

and Accounting Officer)

Date: January 15, 2009

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