

MFS SPECIAL VALUE TRUST

Form N-CSRS

July 09, 2008

Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF**  
**REGISTERED MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-5912

**MFS SPECIAL VALUE TRUST**

(Exact name of registrant as specified in charter)

**500 Boylston Street, Boston, Massachusetts 02116**  
(Address of principal executive offices) (Zip code)

Edgar Filing: MFS SPECIAL VALUE TRUST - Form N-CSRS

**Susan S. Newton**

**Massachusetts Financial Services Company**

**500 Boylston Street**

**Boston, Massachusetts 02116**

**(Name and address of agents for service)**

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

Date of fiscal year end: October 31

Date of reporting period: April 30, 2008

**Table of Contents**

**ITEM 1. REPORTS TO STOCKHOLDERS.**

Table of Contents

Semiannual report

# MFS® Special Value Trust

4/30/08

MFV-SEM

**Table of Contents**

# MFS® Special Value Trust

<u>LETTER FROM THE CEO</u>	1
<u>PORTFOLIO COMPOSITION</u>	2
<u>PORTFOLIO MANAGERS' PROFILES</u>	3
<u>PERFORMANCE SUMMARY</u>	4
<u>INVESTMENT OBJECTIVE, PRINCIPAL INVESTMENT STRATEGIES AND RISKS OF THE FUND</u>	6
<u>DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN</u>	8
<u>PORTFOLIO OF INVESTMENTS</u>	10
<u>STATEMENT OF ASSETS AND LIABILITIES</u>	23
<u>STATEMENT OF OPERATIONS</u>	24
<u>STATEMENTS OF CHANGES IN NET ASSETS</u>	25
<u>FINANCIAL HIGHLIGHTS</u>	26
<u>NOTES TO FINANCIAL STATEMENTS</u>	27
<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	37
<u>BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT</u>	38
<u>PROXY VOTING POLICIES AND INFORMATION</u>	38
<u>QUARTERLY PORTFOLIO DISCLOSURE</u>	38
<u>CONTACT INFORMATION BACK COVER</u>	

New York Stock Exchange Symbol: MFV

**NOT FDIC INSURED    MAY LOSE VALUE**

**NO BANK OR CREDIT UNION GUARANTEE    NOT A DEPOSIT**

**NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR**

**NCUA/NCUSIF**

**Table of Contents**

## LETTER FROM THE CEO

Dear Shareholders:

Negative headlines tend to resonate during difficult markets, and we certainly have had more than our share of tough news recently. As a result consumer, and particularly investor, sentiment are at all-time lows. That said, I do think it is helpful to remember there are always silver linings in the storm clouds if you look hard enough.

Through all of the challenges we have faced, there are some positive underlying trends. In the United States, for example, institutional traders and credit market followers are just now showing increasing signs of confidence and are beginning to take on more risk. At the corporate level, earnings continue to be relatively strong as companies have reduced labor costs, controlled inventories, and relied less on debt to finance expansion. More broadly, low interest rates and strong demand for consumer goods and industrial equipment are good signs for the global economy.

While I do not mean to minimize the risks inherent in today's markets, periods such as these allow the talented fund managers and research analysts we have at MFS® to test their convictions, reevaluate existing positions, and identify new investment ideas. Our investment process also includes a significant risk management component, with constant attention paid to monitoring market risk, so we can do our best to minimize any surprises to your portfolio.

For investors, this is a great time to check in with your advisor and make sure you have a sound investment plan in place—one that can keep your hard-earned money working over the long term through a strategy that involves asset allocation, diversification, and periodic portfolio rebalancing and reviews. A plan tailored to your distinct needs and goals continues to be the best approach to help you take advantage of the inevitable challenges and opportunities that present themselves over time.

Respectfully,

Robert J. Manning

Chief Executive Officer and Chief Investment Officer

MFS Investment Management®

June 16, 2008

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****Top ten holdings (i)**

NRG Energy Inc., 7.375, 2016	1.5%
Asset Securitization Corp., 9.12%, 2029	1.4%
Mirant Americas Generation, 8.5%, 2021	1.3%
Univision Communications, Inc., 9.75%, 2012	1.3%
LBI Media Holdings, Inc. 0% to 2008, 11% to 2013	1.3%
Allison Transmission, Inc., 11%, 2015	1.3%
Texas Competitive Electric Holdings LLC, 10.25%, 2015	1.2%
HCA, Inc., 9.25%, 2016	1.2%
Masco Corp.	1.2%
CCH II Holdings LLC, 10.25%, 2010	1.2%

**Credit quality of bonds (r)**

AAA	5.9%
AA	1.3%
A	0.2%
BB	9.7%
B	51.0%
CCC	27.8%
D	0.2%
Not Rated	3.9%

**Portfolio facts**

Average Duration (d)(i)	4.2
Average Life (i)(m)	7.1 yrs
Average Maturity (i)(m)	8.5 yrs
Average Credit Quality of Rated Securities (long-term) (a)	B
Average Credit Quality of Rated Securities (short-term) (a)	A-1

(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.

(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.

## Edgar Filing: MFS SPECIAL VALUE TRUST - Form N-CSRS

(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 04/30/08.

Percentages are based on net assets as of 04/30/08, unless otherwise noted.

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

2



**Table of Contents**

## PORTFOLIO MANAGERS PROFILES

John Addeo Investment Officer of MFS; employed in the investment management area of MFS since 1998. Portfolio manager of the Trust since 2002.

David Cole Investment Officer of MFS; employed in the investment management area of MFS since 2004. High Yield Analyst at Franklin Templeton Investments from 1999 to 2004. Portfolio manager of the Trust since 2006.

*Note to Shareholders: Effective November 28, 2007, Kenneth Enright was no longer a portfolio manager of the Trust.*

**Table of Contents****PERFORMANCE SUMMARY** THROUGH 4/30/08

All results are historical. Investment return and principal value will fluctuate, and shares, when sold, may be worth more or less than their original cost. More recent returns may be more or less than those shown. Past performance is no guarantee of future results.

**Price Summary**

Six Months Ended 4/30/08

	Date	Price
Net Asset Value	4/30/08	\$8.08
	10/31/07	\$9.08
New York Stock Exchange Price	4/30/08	\$7.29
	11/06/07 (high) (t)	\$8.70
	3/19/08 (low) (t)	\$6.70
	10/31/07	\$8.44

**Total Returns vs Benchmarks**

Six Months Ended 4/30/08

New York Stock Exchange Price (r)	(8.70)%
Net Asset Value (r)	(5.94)%
JPMorgan Emerging Markets Bond Index Global (f)	1.90%
Lehman Brothers U.S. High-Yield Corporate Bond Index (f)	(0.74)%
Russell 1000 Value Index (f)	(9.83)%
Special Value Trust Blended Index (f)(x)	(3.79)%

(f) FactSet Research Systems Inc.

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

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

(x) Special Value Trust Blended Index is at point in time and allocations during the period can change. As of April 30, 2008 the blended index was comprised of 57.50% Lehman Brothers U.S. High-Yield Corporate Bond Index, 7.50% JPMorgan Emerging Market Bond Index Global and 35% Russell 1000 Value Index.

**Benchmark Definitions**

JPMorgan Emerging Markets Bond Index Global (EMBI Global) measures the performance of U.S.-dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds.

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

**Table of Contents**

*Performance Summary continued*

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

Russell 1000 Value Index constructed to provide a comprehensive barometer for the value securities in the large-cap segment of the U.S. equity universe. Companies in this index generally have lower price-to-book ratios and lower forecasted growth values.

It is not possible to invest directly in an index.

**Notes to Performance Summary**

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

The fund's monthly distributions may include a return of capital to shareholders. Distributions that are treated for federal income tax purposes as a return of capital will reduce each shareholder's basis in his or her shares and, to the extent the return of capital exceeds such basis, will be treated as gain to the shareholder from a sale of shares. It may also result in a recharacterization of what economically represents a return of capital to ordinary income. In addition, distributions of current year long-term gains may be recharacterized as ordinary income. Returns of shareholder capital have the effect of reducing the fund's assets and may increase the fund's expense ratio.

The fund's target annual distribution rate is calculated based on the fund's average daily net asset value, not a fixed share price, and the fund's dividend amount will fluctuate with changes in the fund's average daily net assets.

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

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

**Table of Contents**

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

### Investment Objective

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

### Principal Investment Strategies

MFS normally invests the fund's assets primarily in debt instruments. MFS normally invests the fund's assets in U.S. Government securities, foreign government securities, mortgage backed and other asset-backed securities of U.S. and foreign issuers, corporate bonds of U.S. and foreign issuers, debt instruments of issuers located in emerging market countries, and equity securities. MFS allocates the fund's assets across these categories with a view toward broad diversification across and within these categories. MFS may invest up to 100% of the fund's assets in lower quality debt instruments.

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

The fund seeks to make a monthly distribution at an annual fixed rate of up to 10% of the fund's average monthly net asset value.

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

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

MFS uses a bottom-up investment approach in buying and selling investments for the fund. Investments are selected primarily based on fundamental analysis of 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.

### Principal Risks

Stock markets are volatile and can decline due to adverse issuer, market, industry, political, regulatory or economic conditions. The value of the portfolio's equity investments will fluctuate in response to many factors

including company specific factors as well as general market, economic, political and regulatory conditions. Foreign investments can be more volatile

**Table of Contents**

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

than U.S. investments. Changes in currency exchange rates can affect the U.S. dollar rate of foreign currency investments and investments denominated in foreign currency. The portfolio's yield and share prices change daily based on the credit quality of its investments and changes in interest rates. In general, the value of debt securities will decline when interest rates rise and will increase when interest rates fall. Debt securities with longer maturity dates will generally be subject to greater price fluctuations than those with shorter maturities. Mortgage securities are subject to prepayment risk which can offer less potential for gains in a declining interest rate environment and greater potential for loss in a rising interest rate environment. Derivatives can be highly volatile and involve risks in addition to those of the underlying indicators in whose value the derivative is based. Gains or losses from derivatives can be substantially greater than the derivatives' original cost. Lower quality debt securities involve substantially greater risk of default and their value can decline significantly over time. When you sell your shares, they may be worth more or less than the amount you paid for them. Please see the prospectus for further information regarding these and other risk considerations.

A copy of the fund's prospectus is available on the EDGAR database on the Securities and Exchange Commission's Internet Web site at <http://sec.gov>.

**Table of Contents**

## DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

The Fund offers a Dividend Reinvestment and Cash Purchase Plan (the Plan ) that allows you 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. Twice each year you can also buy shares. Investments may be made in any amount of \$100 or more in January and July on the 15th of the month or shortly thereafter.

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 trust. 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.

To enroll in or withdraw from the Plan, or if you have any questions, contact the Plan Agent Computershare Trust Company, N.A. (the Transfer Agent for the Fund) at [www.computershare.com](http://www.computershare.com), by calling 1-800-637-2304 or by writing to P.O. Box 43078, Providence, RI 02940-3078. Please have available the name of the Fund and your account and Social Security numbers. 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 two ways: a check for the value of the full and fractional shares, or a certificate for the full shares and a check for the fractional shares.

The following changes in the Plan will take effect on November 1, 2008:

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.

You can buy shares of the fund through the Plan Agent on a quarterly basis in January, April, July and October. Contact the Plan Agent for further information.

**Table of Contents**

*Dividend Reinvestment and Cash Purchase Plan continued*

If you withdraw from the Plan you will have three options with regard to shares held in the Plan:

Your full non-certificated shares will be held by the Plan Agent in your account in book-entry form and a check will be issued for the value of any fractional shares, less any applicable fees and brokerage charges.

The Plan Agent will sell all full and fractional shares and send the proceeds via check to your address of record. A service fee and a brokerage charge will be deducted from the proceeds.

If you opt to sell your shares through an investment professional, you may request your investment professional to transfer shares electronically from your Plan account to your brokerage firm account.

The Plan may be amended or terminated on 30 days written notice to Plan participants.

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

4/30/08 (unaudited)

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

<b>Bonds - 79.2%</b>		
<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Aerospace - 1.5%</b>		
Hawker Beechcraft Acquisition Co. LLC, 9.75%, 2017	\$ 375,000	\$ 395,625
Vought Aircraft Industries, Inc., 8%, 2011	440,000	418,000
		\$ 813,625
<b>Airlines - 0.4%</b>		
Continental Airlines, Inc., 6.795%, 2018	\$ 269,265	\$ 242,338
<b>Apparel Manufacturers - 0.1%</b>		
Propex Fabrics, Inc., 10%, 2012 (d)	\$ 395,000	\$ 35,550
<b>Asset Backed &amp; Securitized - 6.0%</b>		
Anthracite Ltd., CDO, 6%, 2037 (z)	\$ 450,000	\$ 202,500
Asset Securitization Corp., FRN, 9.12%, 2029 (z)	700,000	777,000
Banc of America Commercial Mortgage, Inc., 5.39%, 2045	79,804	72,722
Banc of America Commercial Mortgage, Inc., FRN, 5.772%, 2017	332,318	305,178
Banc of America Commercial Mortgage, Inc., FRN, 6.002%, 2017	77,897	72,354
Credit Suisse Mortgage Capital Certificate, 5.343%, 2039	72,952	65,898
Falcon Franchise Loan LLC, FRN, 3.844%, 2025 (i)(z)	508,403	53,286
JPMorgan Chase Commercial Mortgage Securities Corp., 5.44%, 2045	230,909	210,774
JPMorgan Chase Commercial Mortgage Securities Corp., 5.372%, 2047	117,962	106,995
JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 5.466%, 2047	157,602	142,848
JPMorgan Chase Commercial Mortgage Securities Corp., FRN, 6.26%, 2051	95,000	69,793
Merrill Lynch Mortgage Trust, FRN, 6.022%, 2050	95,000	68,892
Merrill Lynch/Countrywide Commercial Mortgage Trust, FRN, 5.204%, 2049	249,789	224,279
Merrill Lynch/Countrywide Commercial Mortgage Trust, FRN, 5.902%, 2050	64,000	59,227
Morgan Stanley Capital I, Inc., FRN, 1.37%, 2039 (i)(n)	697,506	22,260
Preferred Term Securities XII Ltd., 9.8%, 2033 (e)(z)	225,000	140,625
Preferred Term Securities XVI Ltd., 14%, 2035 (e)(z)	300,000	219,000
Preferred Term Securities XVII Ltd., 9.3%, 2035 (e)(z)	187,000	69,424
Wachovia Bank Commercial Mortgage Trust, FRN, 5.591%, 2047	249,410	227,212
Wachovia Bank Commercial Mortgage Trust, FRN, 6.1%, 2051	251,812	235,007
		\$ 3,345,274



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

Issuer	Shares/Par	Value (\$)
<b>Bonds - continued</b>		
<b>Automotive - 3.1%</b>		
Allison Transmission, Inc., 11%, 2015 (n)	\$ 670,000	\$ 658,275
Ford Motor Credit Co. LLC, 9.75%, 2010	186,000	180,699
Ford Motor Credit Co. LLC, 8.625%, 2010	125,000	118,918
Ford Motor Credit Co. LLC, 8%, 2016	340,000	297,567
Ford Motor Credit Co. LLC, FRN, 4.283%, 2010	160,000	144,682
General Motors Acceptance Corp., 8.375%, 2033	436,000	331,905
		\$ 1,732,046
<b>Broadcasting - 6.6%</b>		
Allbritton Communications Co., 7.75%, 2012	\$ 309,000	\$ 312,476
Bonten Media Acquisition Co., 9%, 2015 (n)(p)	165,000	134,063
CanWest MediaWorks LP, 9.25%, 2015 (n)	130,000	118,625
Inmarsat Finance II PLC, 0% to 2008, 10.375% to 2012	360,000	355,050
Intelsat Jackson Holdings Ltd., 11.25%, 2016	245,000	248,369
Intelsat Ltd., 0% to 2010, 9.25% to 2015	180,000	153,900
ION Media Networks, Inc., FRN, 8.963%, 2013 (n)	250,000	150,000
Lamar Media Corp., 6.625%, 2015	205,000	193,213
Lamar Media Corp., C, 6.625%, 2015	130,000	122,525
LBI Media Holdings, Inc., 0% to 2008, 11% to 2013	875,000	708,750
LBI Media, Inc., 8.5%, 2017 (n)	130,000	107,900
LIN TV Corp., 6.5%, 2013	90,000	86,625
Local TV Finance LLC, 9.25%, 2015 (n)(p)	210,000	168,000
Nexstar Broadcasting Group, Inc., 7%, 2014	150,000	127,875
Univision Communications, Inc., 9.75%, 2015 (n)(p)	985,000	709,200
		\$ 3,696,571
<b>Brokerage &amp; Asset Managers - 1.0%</b>		
Nuveen Investments, Inc., 10.5%, 2015 (n)	\$ 580,000	\$ 558,250
<b>Building - 1.7%</b>		
Associated Materials, Inc., 9.75%, 2012	\$ 75,000	\$ 74,625
Associated Materials, Inc., 0% to 2009, 11.25% to 2014	290,000	207,350
Building Materials Corp. of America, 7.75%, 2014	195,000	145,275
Nortek Holdings, Inc., 8.5%, 2014	330,000	241,725
Ply Gem Industries, Inc., 9%, 2012	340,000	260,100
		\$ 929,075
<b>Business Services - 0.9%</b>		
SunGard Data Systems, Inc., 10.25%, 2015	\$ 480,000	\$ 510,000
<b>Cable TV - 3.6%</b>		
CCH I Holdings LLC, 11%, 2015	\$ 363,000	\$ 282,233
CCH II Holdings LLC, 10.25%, 2010	660,000	635,250

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

<b>Issuer</b>	<b>Shares/Par</b>	<b>Value (\$)</b>
<b>Bonds - continued</b>		
Cable TV - continued		
CCO Holdings LLC, 8.75%, 2013	\$ 655,000	\$ 602,600
Mediacom LLC, 9.5%, 2013	305,000	296,613
NTL Cable PLC, 9.125%, 2016	173,000	166,945
Videotron LTEE, 6.875%, 2014	45,000	43,875
		\$ 2,027,516
Chemicals - 3.6%		
Innophos, Inc., 8.875%, 2014	\$ 595,000	\$ 592,025
Koppers Holdings, Inc., 9.875%, 2013	150,000	159,000
Koppers Holdings, Inc., 0% to 2009, 9.875% to 2014	547,000	478,625
Momentive Performance Materials, Inc., 11.5%, 2016	495,000	434,363
Nalco Co., 8.875%, 2013	320,000	336,800
		\$ 2,000,813
Computer Software - 0.8%		
First Data Corp., 9.875%, 2015 (n)	\$ 500,000	