

MFS HIGH INCOME MUNICIPAL TRUST

Form N-CSR

February 01, 2016

[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 811-05754

MFS HIGH INCOME MUNICIPAL TRUST

(Exact name of registrant as specified in charter)

111 Huntington Avenue, Boston, Massachusetts 02199

(Address of principal executive offices) (Zip code)

Kristin V. Collins

Massachusetts Financial Services Company

111 Huntington Avenue

Boston, Massachusetts 02199

(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, 2015

Table of Contents

ITEM 1. REPORTS TO STOCKHOLDERS.

Table of Contents

ANNUAL REPORT

November 30, 2015

MFS® HIGH INCOME MUNICIPAL TRUST

CXE-ANN

Table of Contents

MFS® HIGH INCOME MUNICIPAL TRUST

New York Stock Exchange Symbol: **CXE**

<u>Letter from the Chairman</u>	1
<u>Portfolio composition</u>	2
<u>Management review</u>	4
<u>Performance summary</u>	7
<u>Portfolio managers profiles</u>	9
<u>Dividend reinvestment and cash purchase plan</u>	10
<u>Portfolio of investments</u>	11
<u>Statement of assets and liabilities</u>	45
<u>Statement of operations</u>	46
<u>Statements of changes in net assets</u>	47
<u>Statement of cash flows</u>	48
<u>Financial highlights</u>	49
<u>Notes to financial statements</u>	51
<u>Report of independent registered public accounting firm</u>	62
<u>Results of shareholder meeting</u>	63
<u>Trustees and officers</u>	64
<u>Board review of investment advisory agreement</u>	69
<u>Proxy voting policies and information</u>	73
<u>Quarterly portfolio disclosure</u>	73
<u>Further information</u>	73
<u>Federal tax information</u>	73
<u>MFS® privacy notice</u>	74
<u>Contact information</u> back cover	

NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

Table of Contents

LETTER FROM THE CHAIRMAN

Dear Shareholders:

A disparity in the pace of economic growth between the United States and much of the rest of the world has led to a divergence in central bank policies.

The U.S. economy continues its modest recovery, fed by strengthening labor and housing markets. Confident consumers are spending, even as corporations post smaller profits, held back by the strong U.S. dollar, diminished demand for exports, and the significant drop in energy and other commodity prices. Accordingly, the U.S. Federal Reserve has signaled a desire to gradually transition from the stimulative low interest rate environment of recent years.

In contrast, central banks in China, Japan and Europe are seeking new ways to revive their respective economies. China's slowing growth has had a global impact, particularly for commodity-exporting nations. Japan's government plans to shift its focus to a more worker-driven, bottom-up stimulus after limited success in promoting exports through a weaker yen. And the European Central Bank appears determined to prevent deflation by extending its quantitative easing program.

As markets have become more focused on short-term trends in recent years, we believe it's important for investors to lengthen their investment time horizon. At MFS®, we don't trade on headlines or trends; we invest for the long term.

We believe that this approach, coupled with the professional guidance of a financial advisor, will help you reach your investment goals.

Respectfully,

Robert J. Manning

Chairman

MFS Investment Management

January 15, 2016

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

Table of Contents**PORTFOLIO COMPOSITION****Portfolio structure at value****Top ten industries reflecting equivalent exposure of derivative positions (i)**

Healthcare Revenue Hospitals	30.5%
Healthcare Revenue Long Term Care	14.6%
Tobacco	10.9%
Universities Colleges	9.3%
Water & Sewer Utility Revenue	8.1%
Miscellaneous Revenue Other	7.7%
State & Local Agencies	7.2%
Airport Revenue	6.5%
General Obligations General Purpose	5.7%
U.S. Treasury Securities (j)	(19.3)%

Portfolio structure reflecting equivalent exposure of derivative positions (i)(j)**Composition including fixed income credit quality (a)(i)**

AAA	6.6%
AA	26.6%
A	34.4%
BBB	30.6%
BB	12.9%
B	14.0%
CC	2.8%
Not Rated (j)	8.1%
Cash & Cash Equivalents	(55.3)%
Other	19.3%

Portfolio facts (i)

Average Duration (d)	9.3
Average Effective Maturity (m)	17.3 yrs.

Table of Contents

Portfolio Composition continued

- (a) For all securities other than those specifically described below, ratings are assigned to underlying securities utilizing ratings from Moody's, Fitch, and Standard & Poor's rating agencies and applying the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned. Ratings are shown in the S&P and Fitch scale (e.g., AAA). Securities rated BBB or higher are considered investment grade. All ratings are subject to change. Not Rated includes fixed income securities, including fixed income futures contracts, which have not been rated by any rating agency. The fund may not hold all of these instruments. The fund is not rated by these 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 due to the interest rate move. This calculation is based on net assets applicable to common shares as of 11/30/15.
- (i) For purposes of this presentation, the components include the value of securities, and reflect the impact of the equivalent exposure of derivative positions, if any. These amounts may be negative from time to time. Equivalent exposure is a calculated amount that translates the derivative position into a reasonable approximation of the amount of the underlying asset that the portfolio would have to hold at a given point in time to have the same price sensitivity that results from the portfolio's ownership of the derivative contract. When dealing with derivatives, equivalent exposure is a more representative measure of the potential impact of a position on portfolio performance than value. The bond component will include any accrued interest amounts.
- (j) For the purpose of managing the fund's duration, the fund holds short treasury futures with a bond equivalent exposure of (19.3)%, which reduce the fund's interest rate exposure but not its credit exposure.
- (m) In determining an instrument's effective maturity for purposes of calculating the fund's dollar-weighted average effective maturity, MFS uses the instrument's stated maturity or, if applicable, an earlier date on which MFS believes it is probable that a maturity-shortening device (such as a put, pre-refunding or prepayment) will cause the instrument to be repaid. Such an earlier date can be substantially shorter than the instrument's stated maturity. This calculation is based on gross assets, which consists of net assets applicable to common shares plus the value of preferred shares, as of 11/30/15.

From time to time Cash & Cash Equivalents may be negative due to the aggregate liquidation value of auction rate preferred shares and variable rate municipal term preferred shares and/or timing of cash receipts.

Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.

Cash & Cash Equivalents includes any cash, investments in money market funds, short-term securities, and other assets less liabilities. Please see the Statement of Assets and Liabilities for additional information related to the fund's cash position and other assets and liabilities.

Other includes currency derivatives and/or any offsets to derivative positions.

Percentages are based on net assets applicable to common shares as of 11/30/15.

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

Table of Contents

MANAGEMENT REVIEW

Summary of Results

MFS High Income Municipal Trust (fund) is a closed-end fund. The fund's investment objective is to seek high current income exempt from federal income tax, but may also consider capital appreciation. 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.

For the twelve months ended November 30, 2015, shares of the MFS High Income Municipal Trust provided a total return of 6.61%, at net asset value and a total return of 10.66%, at market value. This compares with a return of 3.10% for the fund's benchmark, the Barclays Municipal Bond Index.

The performance commentary below is based on the net asset value performance of the fund which reflects the performance of the underlying pool of assets held by the fund. The total return at market value represents the return earned by owners of the shares of the fund which are traded publicly on the exchange.

Market Environment

Sluggish global growth weighed on both developed and emerging market (EM) economies during the reporting period. EM economies have been particularly lackluster. While the US Federal Reserve (Fed) appears ready to tighten monetary conditions, other large developed economies continued to embrace accommodative monetary policies. Policy missteps by the Chinese government roiled global markets over the summer, beginning with the uncoordinated response to the stock market's boom and bust and then the confusing decision to devalue the renminbi in August. China subsequently ramped up a wide range of monetary and fiscal measures to stimulate the economy and bolster sentiment. Its economy appeared to stabilize late in the period. Also at the end of the period, the Chinese renminbi was granted reserve currency status by the International Monetary Fund (IMF), which announced its inclusion in the IMF's Special Drawing Rights currency basket effective October 1, 2016.

During the second half of the reporting period, the US faced an earnings recession caused primarily by the sharp decline in the prices of oil and other commodities. Earnings contractions were concentrated primarily in the energy, materials and industrial sectors. An additional headwind for earnings was the sharp rise in the US dollar over the period. Exports were crimped by the dollar's strength and falling demand in emerging markets. Consumer spending held up well during the period amid a modest increase in real wages and a tailwind from falling gasoline prices. Demand for autos reached near-record territory late in the period. In emerging markets, two key factors weighed on economies and asset prices: 1) weaker Chinese growth, which drove the decline in commodity prices and 2) prospects for higher US interest rates. Structural factors like floating exchange rates and fiscal buffers partially offset these cyclical headwinds.

US Treasury yields finished the period at 2.21%, about the same level as the beginning of the period (2.24%), but that masked significant volatility in yields during the year, with 10-Year US Treasury yields reaching a low of 1.64% early in 2015 amid declining

Table of Contents

Management Review continued

oil prices and lower inflation, as well as the Quantitative Easing implementation by the European Central Bank. Subsequently, 10-Year US Treasury yields rebounded to as high as 2.49% in June as oil prices rose, payroll growth remained steady and the Fed signaled its intent to begin normalizing policy. However, concerns about weaker global growth, especially out of China and other emerging markets, caused 10-Year US Treasury yields to subsequently decline to 2.21% on November 30, 2015.

Municipal bonds generally produced positive returns for the 12-months ended November 30, 2015, helped by limited new issuance and continued strong demand for municipal bonds. While Puerto Rico made headlines during the summer after indicating that it could not service its outstanding debt, the municipal market generally shrugged off the news. However, markets appeared to have been concerned about underfunded public employee pension systems and other benefits promised to public employees, and the political difficulties in enacting reform. Nowhere did these challenges appear more acute than in the underfunded pensions of both the state of Illinois and the city of Chicago, where burgeoning budget deficits attracted increased market and rating agency attention. This demonstrated that the market differentiated between those issuers who have taken steps toward fiscal sustainability and those with ongoing budget and pension challenges.

Factors Affecting Performance

Relative to the Barclays Municipal Bond Index, the fund's greater exposure to Baa-rated securities benefited performance as this credit quality segment outperformed the benchmark during the reporting period.

Strong security selection in both the *tobacco* and *tax assessment* sectors was also a contributor to relative performance. Additionally, positive bond selection within the Florida, New Jersey and Ohio municipalities benefited relative results.

The fund employs leverage which has been created through the issuance of auction rate preferred shares and variable rate municipal term preferred shares. To the extent that investments are purchased through the use of leverage, the fund's net asset value will increase or decrease at a greater rate than a comparable unleveraged fund. During the reporting period, the fund's leverage had a positive impact on performance.

Conversely, the fund's shorter duration^(d) stance relative to the benchmark detracted from relative 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.

(r) Bonds rated BBB-, Baa-, or higher are considered investment grade; bonds rated BB-, Ba-, or below are considered non-investment grade. The source for bond quality ratings is Moody's Investors Service, Standard & Poor's and Fitch, Inc. and are applied using the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower

Table of Contents

Management Review continued

of the two is assigned. Ratings are shown in the S&P and Fitch scale (e.g., AAA). 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 11/30/15

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

Price Summary for MFS High Income Municipal Trust

		Date	Price
	Net Asset Value	11/30/15	\$5.39
		11/30/14	\$5.39
	New York Stock Exchange Price	11/30/15	\$4.92
		2/05/15 (high) (t)	\$5.06
Year Ended		8/25/15 (low) (t)	\$4.55
11/30/15		11/30/14	\$4.74

Total Returns vs Benchmark

	MFS High Income Municipal Trust at	
	New York Stock Exchange Price (r)	10.66%
	Net Asset Value (r)	6.61%
Year Ended	Barclays Municipal Bond Index (f)	
11/30/15		3.10%

(f) Source: FactSet Research Systems Inc.

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

(t) For the period December 1, 2014 through November 30, 2015.

Benchmark Definition

Barclays 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. 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.

Table of Contents

Performance Summary continued

The fund's monthly distributions may include a return of capital to shareholders to the extent that distributions are in excess of the fund's net investment income and net capital gains, determined in accordance with federal income tax regulations. 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. Returns of shareholder capital have the effect of reducing the fund's assets and increasing the fund's expense ratio.

Net asset values and performance results based on net asset value do not include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles and may differ from amounts reported in the Statement of Assets and Liabilities or the Financial Highlights.

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

PORTFOLIO MANAGERS PROFILES

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

Table of Contents

DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

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

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

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

If you have any questions or for further information or a copy of the Plan, contact the Plan Agent Computershare Trust Company, N.A. (the Transfer Agent for the fund) at 1-800-637-2304, at the Plan Agent's website at www.computershare.com/investor, or by writing to the Plan Agent at P.O. Box 43078, Providence, RI 02940-3078.

Table of Contents**PORTFOLIO OF INVESTMENTS**

11/30/15

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by jurisdiction.

Municipal Bonds - 152.9%

Issuer	Shares/Par	Value (\$)
Alabama - 1.8%		
Alabama Incentives Financing Authority Special Obligation, A, 5%, 9/01/37	\$ 80,000	\$ 88,423
Birmingham, AL, Waterworks Board Water Rev., A, 5.125%, 1/01/34 (Prerefunded 1/01/19)	280,000	314,558
Birmingham, AL, Waterworks Board Water Rev., A, ASSD GTY, 5.125%, 1/01/34	475,000	522,196
Cullman County, AL, Health Care Authority (Cullman Regional Medical Center), A, 6.75%, 2/01/29	75,000	81,310
Jefferson County, AL, Sewer Rev. Warrants, Capital Appreciation, Senior Lien, B, AGM, 0%, 10/01/25	10,000	6,571
Jefferson County, AL, Sewer Rev. Warrants, Capital Appreciation, Senior Lien, B, AGM, 0%, 10/01/26	130,000	81,420
Jefferson County, AL, Sewer Rev. Warrants, Capital Appreciation, Senior Lien, B, AGM, 0%, 10/01/29	185,000	94,198
Jefferson County, AL, Sewer Rev. Warrants, Capital Appreciation, Senior Lien, B, AGM, 0%, 10/01/34	260,000	91,385
Jefferson County, AL, Sewer Rev. Warrants, Capital Appreciation, Senior Lien, B, AGM, 0%, 10/01/35	500,000	164,650
Jefferson County, AL, Sewer Rev. Warrants, Subordinate Lien, D, 5%, 10/01/16	60,000	61,862
Jefferson County, AL, Sewer Rev. Warrants, Subordinate Lien, D, 5%, 10/01/17	85,000	90,135
Jefferson County, AL, Sewer Rev. Warrants, Subordinate Lien, D, 5%, 10/01/18	85,000	92,129
Jefferson County, AL, Sewer Rev. Warrants, Subordinate Lien, D, 5%, 10/01/21	95,000	105,341
Jefferson County, AL, Sewer Rev. Warrants, Subordinate Lien, D, 5%, 10/01/23	140,000	155,911
Montgomery, AL, Medical Clinic Board Health Care Facility Rev. (Jackson Hospital & Clinic), 5.25%, 3/01/36	800,000	804,352
Pell City, AL, Special Care Facilities, Financing Authority Rev. (Noland Health Services, Inc.), 5%, 12/01/39	225,000	242,498
		\$ 2,996,939
Arizona - 2.4%		
Phoenix, AZ, Industrial Development Authority Education Rev. (Basis Schools, Inc. Projects), A, 5%, 7/01/35	\$ 125,000	\$ 126,984
Phoenix, AZ, Industrial Development Authority Education Rev. (Basis Schools, Inc. Projects), A, 5%, 7/01/45	205,000	205,136

11

Table of Contents*Portfolio of Investments continued*

Issuer	Shares/Par	Value (\$)
Municipal Bonds - continued		
Arizona - continued		
Phoenix, AZ, Industrial Development Authority Education Rev. (Choice Academies, Inc. Project), 5.625%, 9/01/42	\$ 165,000	\$ 173,331
Phoenix, AZ, Industrial Development Authority Education Rev. (Eagle College Prep Project), 5%, 7/01/33	80,000	80,394
Phoenix, AZ, Industrial Development Authority Education Rev. (Eagle College Prep Project), 5%, 7/01/43	160,000	156,019
Phoenix, AZ, Industrial Development Authority Education Rev. (Great Hearts Academies Project), A, 5%, 7/01/34	445,000	458,764
Phoenix, AZ, Industrial Development Authority Education Rev. (Great Hearts Academies Project), A, 5%, 7/01/44	280,000	283,301
Phoenix, AZ, Industrial Development Authority Education Rev. (Legacy Traditional Schools Project), 6.5%, 7/01/34	145,000	161,094
Phoenix, AZ, Industrial Development Authority Education Rev. (Legacy Traditional Schools Project), 5%, 7/01/35	195,000	195,138
Phoenix, AZ, Industrial Development Authority Education Rev. (Legacy Traditional Schools Project), 6.75%, 7/01/44	235,000	263,151
Phoenix, AZ, Industrial Development Authority Education Rev. (Legacy Traditional Schools Project), 5%, 7/01/45	215,000	207,275
Phoenix, AZ, Industrial Development Authority Rev. (Guam Facilities Foundation, Inc.), 5.125%, 2/01/34	435,000	430,406
Phoenix, AZ, Industrial Development Authority Rev. (Guam Facilities Foundation, Inc.), 5.375%, 2/01/41	330,000	330,624
Surprise, AZ, Municipal Property Corp., 4.9%, 4/01/32	800,000	812,152
Tempe, AZ, Industrial Development Authority Rev. (Friendship Village), A, 6.25%, 12/01/42	110,000	118,947
Tempe, AZ, Industrial Development Authority Rev. (Friendship Village), A, 6.25%, 12/01/46	85,000	91,765
		\$ 4,094,481
Arkansas - 0.2%		
Arkansas Development Finance Authority Hospital Rev. (Washington Regional Medical Center), A, 5%, 2/01/35	\$ 40,000	\$ 44,338
Arkansas Development Finance Authority Hospital Rev. (Washington Regional Medical Center), C, 5%, 2/01/33	60,000	66,706
Arkansas Development Finance Authority, Tobacco Settlement Rev. (Cancer Research Center Project), Capital Appreciation, AMBAC, 0%, 7/01/46	610,000	153,885
		\$ 264,929
California - 15.0%		
Bay Area Toll Authority, CA, Toll Bridge Rev. (San Francisco Bay Area), F1, 5%, 4/01/34 (Prerefunded 4/01/18)	\$ 1,250,000	\$ 1,368,813
Beverly Hills, CA, Unified School District (Election of 2008), Capital Appreciation, 0%, 8/01/31	350,000	212,170

Table of Contents

Portfolio of Investments conti