

MFS Institutional Advisors, Inc.

Firm brochure

March 30, 2012

This brochure provides information about the qualifications and business practices of MFS Institutional Advisors, Inc. ("MFSI"). If you have any questions about the contents of this brochure, please contact us at +1.877.960.6077 or institutionalclientservice@mfs.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Although MFSI is registered with the SEC as an investment adviser, such registration does not imply any level of skill or training.

Additional information about MFSI also is available on the SEC's Web site at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for MFSI is 107144.

You may request the most recent version of this Brochure by contacting us as provided above.

Item 2 – Material Changes

This brochure differs from MFSI's last annual brochure update which was filed on March 31, 2011, in the following respects:

- The *Fees and Compensation* section (Item 5) of the brochure has been updated to incorporate changes to certain existing representative fee schedules and to add certain new strategies and their related representative fee schedules.
- The *Methods of Analysis, Investment Strategies and Risk of Loss* section (Item 8) of the brochure has been updated to reflect certain additions and revisions to the risk factors applicable to the various strategies listed in the revised *Fees and Compensation* section.
- The *Other Financial Industry Activities and Affiliations* section (Item 10) has been updated to reflect the acquisition of McLean Budden Limited, an investment adviser that is registered both in the provinces and territories of Canada and with the SEC.
- Various updates have been made to the *Brokerage Practices* section (Item 12), including, (i) updates to the disclosure under the caption "Soft Dollars" relating to the addition of McLean Budden Limited to the MFS Global Group (as defined in the brochure), (ii) updates to the disclosure under the caption "Order Aggregation and Allocation Practices" to reflect certain changes to, and additional detail regarding, MFSI's trading allocation policies, and (iii) updates to the disclosure under the caption "Aggregation and Execution of Trades" including (a) a discussion of the effect of certain differences in Canadian law and market practice in connection with the addition of McLean Budden Limited to the MFS Global Group, (b) additional disclosure explaining the effect a client's broker-dealer affiliation restriction may have on trading for that particular client's account, and (c) additional detail regarding MFSI's process for effecting foreign currency transactions.

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Item 4 – Advisory Business

MFS Institutional Advisors, Inc. ("MFSI"), an investment adviser registered with the SEC, has been serving institutional investors and their consultants since 1986. MFSI is a wholly-owned subsidiary of Massachusetts Financial Services Company d/b/a MFS Investment Management ("MFS"), which is also an investment adviser registered with the SEC. MFS is also the parent company of other companies that manage investments. In this brochure, we refer to MFS and these other direct and indirect subsidiaries collectively as the "MFS Global Group". MFS and its predecessor organizations have a history of money management dating from 1924 and the founding of the first mutual fund. MFS is an indirect, majority owned subsidiary of Sun Life Financial Inc. ("SLF"), a diversified financial services company. As of December 31, 2011, MFSI managed approximately \$66 billion in client assets and the MFS Global Group (excluding McLean Budden Limited ("MBL")) managed \$222 billion. See Item 10, below, for additional information on MBL, an investment adviser which became a member of the MFS Global Group effective November 8, 2011.

MFSI primarily provides investment advisory services to institutional clients, particularly separate accounts. MFSI tailors its institutional advisory services to the individual needs of institutional clients. Clients may communicate their individual needs to MFSI during the request for proposal process or while negotiating an investment management agreement. Institutional clients may impose restrictions on investing in certain securities or types of securities and MFSI seeks to maintain a continuous dialogue with its institutional clients about their individual needs. In addition, MFSI provides sub-advisory services to pooled investment vehicles for which a party other than MFSI serves as the primary investment adviser.

MFSI also provides advisory services through a Private Portfolio Management ("PPM") wrap fee program to certain individual and institutional investors. PPM arrangements may be either bundled, in which the participant enters into an advisory agreement with the sponsor and the sponsor enters into a sub-advisory agreement with MFSI, or 'dual-contract', in which the participant enters into an investment advisory agreement with MFSI and a separate agreement with the program sponsor. Under a bundled PPM arrangement, MFSI is retained by broker-dealers or other wrap fee program sponsors and the clients of such sponsors select MFSI from among the investment advisers presented to the client by a sponsor. The selection is generally based upon the compatibility, in the judgment of the sponsor and/or the client, of MFSI's style of investment management and performance with the client's investment objectives and risk tolerance. MFSI reserves the right, in its sole discretion, to reject for any reason any PPM account referred to it. Conversely, a client may terminate its selection of MFSI as investment manager in a wrap fee program at any time, upon notice to the sponsor of a bundled wrap fee program or, in the case of a dual-contract program, directly to MFSI. Currently, MFSI participates in more than three dozen wrap-fee programs. Please see Item 5, *Fees and Compensation*, for information concerning how MFSI is compensated for providing advisory services through a PPM program.

In addition to portfolio management services for wrap fee programs, MFSI may be retained by wrap-fee program sponsors to provide research and portfolio recommendations, which may take the form of a portfolio model. In these circumstances, the sponsor generally retains full discretion to accept, modify, or reject such recommendations and remains solely responsible for implementing the ultimate investment decisions (either on the recipient's own behalf or on behalf of its clients or investors). See Item 12, *Brokerage Practices*, for information on MFSI's trade rotation policies with respect to the management of institutional and wrap fee accounts and the sale of portfolio model recommendations. In certain such PPM programs, the sponsor (or an overlay manager retained to perform services for the program) may perform and/or direct various maintenance trades for the sponsor's clients pursuant to the portfolio model provided by MFSI to accommodate the client's transitions to and from the program, account deposits and withdrawals, rebalancing, tax harvesting, and other limited or client-directed trades; these programs are referred to as Unified Management Accounts ("UMAs").

Participants in PPM programs may impose reasonable restrictions upon MFSI's ability to recommend or implement investments in certain securities or certain types of securities, if those restrictions are communicated to and accepted by MFSI.

MFSI primarily manages long-only strategies. The MFS Global Group also manages strategies that employ both long and short positions (each, an "Alternative Strategy"). The MFS Global Group employs portfolio management teams, which may include personnel of various Participating Affiliates (as defined in Item 8, *Methods of Analysis, Investment Strategies and Risk of Loss*), who currently manage long-only accounts to manage Alternative Strategies that may invest in substantially similar categories of assets as do the long-only accounts that the portfolio managers manage. The MFS Global Group also permits employees, including the managers of the Alternative Strategy portfolios to invest in an Alternative Strategy. See Item 8, *Methods of Analysis, Investment Strategies and Risk of Loss*, and Item 10, *Other Financial Industry Activities and Affiliations* for more information on Participating Affiliates; and see Item 12, *Brokerage Practices*, for a discussion of the potential conflicts of interest associated with the management of long-only and Alternative Strategies side-by-side and how MFSI mitigates the conflicts.

As of February 1, 2010, MFS signed the United Nations-backed Principles for Responsible Investment ("UNPRI"), an investor initiative in partnership with the United Nations Environment Programme Finance Initiative and the United Nations Global Compact, for itself and its subsidiaries. As a subsidiary of MFS, where consistent with its fiduciary responsibilities, MFSI aspires to incorporate environmental, social and corporate governance ("ESG") issues into its investment analysis and decision making processes, as well as its ownership policies and practices, by seeking appropriate disclosure on ESG issues from the entities in which they invest. MFSI also seeks to promote acceptance and implementation of the UNPRI within the investment industry and report on progress in the effectiveness of such implementation. While MFSI follows the UNPRI where consistent with its fiduciary responsibilities, signing the UNPRI is not a legal commitment to do so and MFSI may either take actions inconsistent with the UNPRI or fail to take such actions as would be consistent with the UNPRI if, in MFSI's judgment, it is in the best interests of its clients to do so. As such, MFSI will introduce ESG-driven restrictions into a client's portfolio only as

directed by a client or to comply with applicable law. Please refer to Item 17, *Voting Client Securities*, for more information about MFSI' proxy voting practices.

All discussions of MFSI's practices in this brochure are qualified in their entirety with respect to each institutional client or pooled investment vehicle by the applicable investment management agreement or offering and organizational materials, respectively, governing such account, including without limitation, all practices pertaining to the account's investments, strategies used in managing the account, fees and other costs associated with an investment in the account, and conflicts of interest faced by MFSI and its affiliates in connection with the management of the account.

Item 5 – Fees and Compensation

MFSI's investment advisory fees are generally based upon a percentage of assets under management. The percentage typically depends upon the type of investment mandate. MFSI's representative fee schedule for different mandates for institutional accounts is as follows:

<u>Type of Mandate</u>	<u>Standard Investment Advisory Fee</u>
Large Cap Growth, Growth Equity, Research Equity, Core Equity, Utilities	0.65% to 0.45% of average month end assets
Large Cap Value	0.55% to 0.40% of average month end assets
Blended Research US Core Equity	0.35% to 0.20% of average month end assets
Blended Research Global Equity 130/30	1.00% to 0.90% of average month end assets
Global Growth, Global Value and Global Research	0.75% to 0.60% of average month end assets
European Equity, European Value, Global Equity, International Equity, International Concentrated Equity or Global Concentrated Equity	0.85% to 0.60% of average month end assets
International Growth, International Research and International Value	0.75% to 0.60% of average month end assets
Emerging Markets Equity	0.95% to 0.80% of average month end assets
Asia Pacific	0.85% to 0.65% of average month end assets
Latin American Equity	1.00% to 0.80% of average month end assets
UK Equity	0.65% to 0.40% of average month end assets
Small Cap Growth Equity	0.90% to 0.75% of average month end assets
Mid Cap Growth Equity	0.75% to 0.70% of average month end assets
Technology Equity	0.80% to 0.65% of average month end assets

<u>Type of Mandate</u>	<u>Standard Investment Advisory Fee</u>
Strategic Core Fixed Income or Opportunistic Fixed Income	0.45% to 0.35% of average month end assets
High Yield	0.55% to 0.50% of average month end assets
Core Fixed Income	0.30% to 0.25% of average month end assets
Core Plus Research Fixed Income	0.35% to 0.25% of average month end assets
Municipal Fixed Income	0.40% to 0.30% of average month end assets
Limited Maturity Fixed Income	0.30% to 0.25% of average month end assets
Emerging Market Debt	0.60% to 0.50% of average month end assets
Emerging Market Debt Local Currency	0.70% to 0.55% of average month end assets
Domestic Balanced	0.55% to 0.40% of average month end assets
Global Balanced	0.60% to 0.45% of average month end assets

Fees are billed and payable quarterly in arrears, unless a client agrees otherwise, and are generally based upon the average of the month-end net assets for the quarter. Upon written client instruction, MFSI may also automatically deduct fees from a client's custodial account and will remind such clients to compare their MFSI account statements with their periodic custodial statements. Fees are negotiable.

When agreed upon with a client, MFSI may also earn incentive compensation by charging performance-based fees. Performance based fees usually consist of two components: a percentage of assets under management and the performance fee. The incentive portion of the compensation is typically calculated as a percentage of capital appreciation over a specified benchmark and in some cases, a hurdle rate in excess of such benchmark as well. If a hurdle rate is used, no performance fee will be charged unless capital appreciation meets or exceeds the hurdle rate over and above the specified benchmark. Incentive compensation may also be subject to a "high water mark," pursuant to which losses in an account are carried forward so that no performance fee is charged until the loss has been recouped, subject to certain adjustments. In certain instances, incentive compensation is based on rolling periods of up to three years and may be charged as frequently as quarterly after the initial account year. The value of the performance-based fees charged to Alternative Strategies managed by MFS can be far in excess of those charged to non-Alternative Strategies.

MFSI reserves the right, in its sole discretion, to negotiate and charge different advisory fees for different accounts. Advisory fees may vary due to, among other things, the inception date of a client's account, the initial or potential size of the account, the entirety of the client's and its affiliates' relationship with the MFS Global Group, and the account-specific requirements such as non-standard

reporting obligations and compliance with laws not generally applicable to MFSI's activities. Accordingly, MFSI may charge a higher or lower fee than the standard fees set forth above. MFSI may manage a group of related accounts for a client and may agree to aggregate assets in all related client accounts for purposes of attaining fee breakpoints under any applicable fee schedule.

MFSI may purchase on behalf of an institutional client shares of any of the registered investment companies for which MFS acts as an investment adviser (the "MFS Funds"). In such cases, the client receives a credit to its account equal to the amount of the management fee paid by the relevant MFS Fund(s) to MFS or its affiliates attributable to the client's investment in the MFS Fund.

In the event MFSI's services are terminated, its fees are pro-rated to the extent that its services have been provided for less than the full quarter (or other billing period); any performance compensation may be charged as though the date of termination were the end of a performance period.

Institutional clients typically bear certain expenses in addition to investment advisory fees, including custodial fees, brokerage and transaction costs, out-of-pocket costs for ERISA-mandated fidelity bonds (if applicable), or fees for plan administrator/Trustee-directed special projects or reports. MFSI receives no payment or remuneration from institutional clients with respect to such other expenses (except as described in Item 12, *Brokerage Practices*). No portion of such charges, fees, or commissions shall be applied as an offset to reduce the amount of advisory fees owed by a client to MFSI. In addition, when institutional client assets are invested in an MFS Fund or in an exchange-traded fund ("ETF"), while the client does not pay us a separate advisory fee for these shares as explained above, the client indirectly bears a ratable share of operating expenses incurred by the MFS Fund or the ETF, including without limitation, brokerage fees and transaction costs, transfer agency fees and custodial expenses. These expenses are described in greater detail in the Summary Prospectus, Prospectus and/or Statement of Additional Information for the relevant MFS Fund or ETF. Please refer to Item 12, *Brokerage Practices*, for a discussion of fees related to MFSI's selection of brokers and order allocation practices. Assets invested in non-MFS Funds or other commingled or pooled investment vehicles are included in calculating the value of the account for purposes of computing fees. The same assets are also subject to additional advisory and other fees and expenses, as set forth in the offering documents of those pooled investments. These additional fees are paid by the investment vehicle, but ultimately borne by investors. Clients, in effect, pay two sets of advisory fees for these investments—one to us and another to the managers of each mutual fund or commingled investment vehicle. To the extent that we invest any client's assets in shares of an MFS Fund, however, we do *not* include those assets when calculating the client's advisory fee.

Unsupervised Assets

From time to time, clients may leave in the custodial or brokerage accounts subject to MFSI's discretionary management certain securities or other property over which MFSI has not been given discretionary authority ("Unsupervised Assets"). MFSI may request that the client confirm in writing the identity of any Unsupervised Assets. Unless otherwise agreed to with the client, MFSI will not provide

investment advisory services of any kind with regard to Unsupervised Assets. MFSI will have no duty, responsibility or liability with respect to the Unsupervised Assets and will not take the Unsupervised Assets into consideration when managing the portion of the account for which it provides investment advice.

Private Portfolio Management

The clients of bundled and dual-contract PPM programs also bear certain expenses that are separate from and in addition to, advisory fees, including brokerage and transaction costs. The sponsor of a bundled PPM program generally arranges for payment of MFSI's advisory fee on behalf of its clients, monitors and evaluates MFSI's performance, executes some or all of its clients' portfolio transactions and, if so requested by its clients, may provide for custodial services for the clients' assets, all for a combined fee paid to the sponsor by its clients (in some instances, a sponsor's clients may have to separately pay the sponsor a commission on transactions). In a dual-contract PPM program, a client of the sponsor pays a management fee to MFSI pursuant to the investment advisory agreement between that client and MFSI, as well as a separate fee to the sponsor for custodial, execution and other client services. The frequency and method of billing or deducting advisory fees accrued by MFSI from PPM program participants is determined by agreement between the participant, MFSI and sponsor. These fees may be billed either in advance or in arrears, depending on the PPM program. In the event MFSI's services are terminated, fees billed in arrears are pro-rated, and fees billed in advance are refunded to the extent that services have been provided for less than the full quarter (or other billing period). Participants in PPM programs should also consider that depending on (i) the level of the wrap fee charged by the wrap fee program sponsor, (ii) the volume of portfolio activity in the participant's account, (iii) the value of the custodial and other services that are provided under the arrangement, and (iv) other factors, the wrap fee may or may not exceed the aggregate amount of MFSI's standard advisory fee plus the cost of such services if they were to be provided separately (however, depending upon the amount of assets, a PPM program participant may be ineligible to enter into an agreement with MFSI outside the PPM context). The advisory fee received by MFSI pursuant to a PPM arrangement generally ranges from 0.38% to 0.75% of assets under management (in the case of a UMA, the fee range is generally 0.28% to 0.39%). MFSI's compensation for these services is negotiable. PPM program clients should consult with their sponsor for more information regarding the fees and expenses they may pay in connection with the advisory services, such as custodian fees or mutual fund expenses. To the extent that MFSI sells advisory recommendations to the sponsor of any PPM program, but is not responsible for managing any underlying client portfolios for the sponsor, MFSI will receive its entire advisory fee without regard to whether or not the sponsor invests its clients' assets in an MFS Fund.

Item 6 – Performance Based Fees and Side by Side Management

As noted above, MFSI (and other members of the MFS Global Group) charge both performance-based fees and asset-based fees. Performance-based fees have the potential to cause a conflict of interest by creating an incentive to favor accounts charged such fees over accounts charged only asset-based fees in order to generate greater management fees. The MFS Global Group's allocation policies (see also Item 12, *Brokerage Practices*, below) address such potential conflicts of interest by prohibiting the MFS Global Group from unfairly favoring one type of account over another. These policies, which apply equally to accounts that are charged solely asset-based fees and those that are charged performance-based fees, generally require allocations of investment opportunities and executions among similarly managed accounts to be made on a *pro rata* basis, as described in Item 12, *Brokerage Practices*, below.

Item 7 – Types of Clients

MFSI's clients are principally institutional investors, including U.S. and non-U.S. investment companies, pension and profit sharing plans, trusts and estates, charitable organizations, corporations, federal domestic and foreign government entities (including sovereign wealth funds), universities, foundations, unions, and private funds. In addition, MFSI provides investment advice to high-net-worth individuals and, in some cases, to individuals not considered high-net-worth individuals depending on the PPM program in which they participate and their personal net worth. MFSI generally requires a minimum of \$50 million of assets as a condition for establishing an institutional account and \$100,000 for a sponsor to enter into a PPM arrangement (\$30,000 for a UMA) on behalf of the sponsor's client. MFSI generally requires a minimum of \$1 million of assets as a condition for entering into a "dual-contract" PPM relationship. Client relationships are governed by investment advisory agreements that set forth the terms under which MFSI will provide its services. In the PPM context, MFSI will contract with the program sponsor only or, in the context of a dual contract PPM relationship, with both the program sponsor and the PPM participant. MFSI may accept an account below the relevant minimum if special circumstances warrant. For example, a client with multiple accounts above the required minimum may be allowed to open another account below the minimum account size. MFSI, in its sole discretion, reserves the right to decline any account and reserves the right to close any account that falls below the minimum account size.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

MFSI employs a variety of methods to evaluate securities, including fundamental analysis, technical analysis, and quantitative analysis. Fundamental analysis focuses on a given issuer's financials and operations, while technical analysis considers historical market data (e.g., price and other trading variables) of a given stock to help predict future trends. Quantitative analysis uses computer models to apply concepts of fundamental valuation and security selection. MFSI may also make investment selection decisions based on a combination of both fundamental analysis of individual issuers and the use of quantitative models that systematically evaluate issuers.

MFSI may, from time to time, utilize advice or research provided by MFS International Ltd. ("MIL"), MFS International (U.K.) Limited ("MIL UK"), and MFS Investment Management K.K. ("MIMKK", and, together with MIL and MIL UK, the "Participating Affiliates"), each of which is an affiliated non-U.S. based investment adviser within the MFS Global Group that is not registered under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), pursuant to a written memorandum of understanding by and among MFSI, MFS, and the Participating Affiliates (the "MOU"). Under the MOU, certain employees of each Participating Affiliate serve as associated persons of MFSI ("Participating Employees"). MFSI may also utilize advice or research provided by MBL, an affiliated investment adviser that is registered both in the provinces and territories of Canada and under the Advisers Act. MBL is a member of the MFS Global Group, although not a Participating Affiliate. See Item 10, *Other Financial Industry Activities and Affiliations*, for more information on the Participating Affiliates.

MFSI utilizes various investment techniques to implement its investment strategies, including long- and short-term purchases, short sales, margin transactions, options, and exchange-traded and over-the-counter ("OTC") derivatives or other methods to achieve performance. In addition, MFSI may use exchange-traded and OTC derivatives to manage, for example, currency or interest rate exposure (for instance through currency forwards or treasury futures, respectively). While MFSI may use derivatives for any investment purpose, MFSI generally uses derivatives primarily to increase or decrease exposure to a particular market, segment of the market, or security, to increase or decrease interest rate or currency exposure, or as an alternative to direct investments.

While PPM accounts may employ investment strategies broadly similar to those employed by institutional accounts, the performance results achieved by MFSI with respect to PPM accounts employing a particular investment strategy and investing in particular types of securities may differ from the performance results achieved by MFSI with respect to institutional accounts that employ a broadly similar investment strategy. Several reasons may be responsible for this difference:

- **Investment Differences.** The PPM sponsor, rather than MFSI, may be responsible for implementing investment decisions for PPM accounts; the timing and implementation of investment decisions may vary between the PPM sponsor and MFSI, or between PPM accounts and institutional accounts or registered investment companies (discussed more in detail below under the caption "Order Aggregation and Allocation Practices" in Item 12, *Brokerage Practices*); and PPM accounts may hold fewer securities (either in the aggregate or within individual investment styles) than the institutional accounts or registered investment companies.
- **Account Restrictions.** Institutional and PPM accounts may be subject to different restrictions imposed by the client, the sponsor or, in the case of multi-manager PPM accounts, style managers, such as limitations on the maximum percentage of an outstanding security under management by an investment manager and its affiliates, as well as temporary or permanent restrictions on transactions in specific securities (e.g., PPM accounts may be subject to investment limitations such as a prohibition on participation in initial public offerings or, in many cases, a prohibition on holding foreign securities other than in the form of American Depositary Receipts).
- **Other Factors.** Performance of PPM accounts is also likely to differ from the performance results of institutional accounts or registered investment companies due to any of the following: PPM accounts will normally be traded less frequently than institutional accounts or registered investment companies; changes over time in the number, types, availability and diversity of securities available; economies of scale, regulations and other factors applicable to institutional accounts or registered investment companies and gains and losses caused by currency transactions.

Investments in the accounts to which MFSI provides advisory services are not insured or guaranteed and carry the risk of loss which clients must be prepared to bear. MFSI's analysis of a particular investment may be incorrect. Further, markets can prove volatile in response to issuer- or industry-specific circumstances, as well as broader economic, political, and regulatory conditions. Some of these conditions may prevent MFSI from executing a particular strategy successfully. For example, it may not be possible to access certain markets or to sell certain investments at a particular time or at an acceptable price, thereby impacting the liquidity of a given portfolio. The use of derivatives can involve risks over and above those of the underlying indicator(s) on which the derivatives are based, including the risk that a counterparty to a derivative fails to perform. Gains or losses from derivatives can be substantially greater than the derivatives' original cost and, therefore, may entail leverage. Leverage creates exposure in an amount exceeding the initial investment, which can increase volatility by magnifying gains or losses. The value of a client account will change daily based on changes in market economic, industry, political, geopolitical, and other considerations. A client account may not achieve its objective and/or may lose value.

Set forth below is a description of common risk factors for accounts to which MFSI provides advisory services. Unless otherwise specified, these risk factors apply to investments across a variety of asset classes, including those in which all of the mandates set forth in Item 5, *Fees and Compensation*, above, may invest. If you are an investor in a pooled investment vehicle (including an MFS Fund), such vehicle's prospectus or other offering documentation (e.g., in the case of an MFS Fund, its Summary Prospectus, Prospectus and Statement of Additional Information) ("Offering Documents"), will contain a more complete description of the risk factors to which the vehicle is subject and the discussion below is qualified by reference to the relevant Offering Documents.

Stock Market Risk

The price of an equity security fluctuates in response to issuer, market, economic, industry, political, regulatory, geopolitical, and other conditions, as well as to investor perceptions of these conditions. Prices can decrease significantly in response to these conditions, and these conditions can affect a single issuer, issuers within a broad market sector, industry or geographic region, or the market in general. Different parts of the market and different types of securities can react differently to these conditions. For example, the stocks of growth companies can react differently from the stocks of value companies, and the stocks of large cap companies can react differently from the stocks of small cap companies. Certain unanticipated events, such as natural disasters, terrorist attacks, war, and other geopolitical events, can have a dramatic adverse effect on stock markets.

This does not represent a principal risk of the following mandates: Core Fixed Income, Core Plus Research Fixed Income, Municipal Fixed Income, Limited Maturity Fixed Income, Emerging Market Debt and Emerging Market Debt Local Currency.

Interest Rate Risk

The price of a debt instrument changes in response to interest rate changes. In general, the price of a debt instrument falls when interest rates rise and rises when interest rates fall. Instruments with longer maturities, or that do not pay current interest, are more sensitive to interest rate changes. In addition, short-term and long-term interest rates do not necessarily move in the same direction or by the same amount. An instrument's reaction to interest rate changes depends on the timing of its interest and principal payments and the current interest rate for each of those time periods. Instruments with floating interest rates can be less sensitive to interest rate changes.

This does not represent a principal risk of the following mandates: Large Cap Growth, Growth Equity, Research Equity, Core Equity, Large Cap Value, Blended Research US Core Equity, Blended Research Global Equity 130/30, Global Growth, Global Value, European Equity, European Value, Global Equity, Global Research, International Research, International Concentrated Equity, Global Concentrated Equity, International Growth, International Equity, International Value, Emerging Markets Equity, Asia Pacific, Latin American Equity, UK Equity, Small Cap Growth Equity, Mid Cap Growth Equity and Technology Equity.

Company Risk

Changes in the financial condition of a company or other issuer and changes in specific market, economic, political, regulatory, geopolitical, and other conditions that affect a particular type of issuer can adversely affect the price of an investment. The prices of securities of smaller, less well-known issuers can be more volatile than the prices of securities of larger issuers or the market in general. In particular, the stocks of value companies can continue to be undervalued for long periods of time and not realize their expected value, while the stocks of growth companies can be more sensitive to the company's earnings. The stocks of both small- and mid-cap companies can also be more volatile than stocks of larger companies due to limited product lines, financial and management resources, and market and distribution channels. Their shares can be less liquid than those of larger companies, especially during market declines.

This does not represent a principal risk of the following mandates: Core Fixed Income, Core Plus Research Fixed Income, Municipal Fixed Income, Limited Maturity Fixed Income, Emerging Market Debt and Emerging Market Debt Local Currency.

Value Company Risk

The stocks of value companies can continue to be undervalued for long periods of time and not realize their expected value and can be more volatile than the market in general.

This does not represent a principal risk of the following mandates: Large Cap Growth, Growth Equity, Research Equity, Core Equity, Utilities, Blended Research US Core Equity, Blended Research Global Equity 130/30, Global Growth, European Equity, Global Equity, Global Research, International Research, International Concentrated Equity, Global Concentrated Equity, International Growth, International Equity, Emerging Markets Equity, Asia Pacific, Latin American Equity, UK Equity, Small Cap Growth Equity, Mid Cap Growth Equity, Technology Equity, Strategic Core Fixed Income, Opportunistic Fixed Income, High Yield, Core Fixed Income, Core Plus Research Fixed Income, Municipal Fixed Income, Limited Maturity Fixed Income, Emerging Market Debt and Emerging Market Debt Local Currency.

Growth Company Risk

The stocks of growth companies can be more sensitive to the company's earnings and more volatile than the market in general.

This does not represent a principal risk of the following mandates: Research Equity, Core Equity, Utilities, Large Cap Value, Blended Research US Core Equity, Blended Research Global Equity 130/30, Global Value, European Equity, European Value, Global Equity, Global Research, International Research, International Concentrated Equity, Global Concentrated Equity, International Equity, International Value, Emerging Markets Equity, Asia Pacific, Latin American Equity, UK Equity, Strategic Core Fixed Income, Opportunistic Fixed Income, High Yield, Core Fixed Income, Core Plus Research Fixed Income, Municipal Fixed Income, Limited Maturity Fixed Income, Emerging Market Debt, Emerging Market Debt

Local Currency, Domestic Balanced and Global Balanced.

Credit Risk

The price of a debt instrument depends, in part, on the issuer's or borrower's credit quality or ability to pay principal and interest when due. The price of a debt instrument is likely to fall if an issuer or borrower defaults on its obligation to pay principal or interest or if the instrument's credit rating is downgraded by a credit rating agency. The price of a debt instrument can also decline in response to changes in the financial condition of the issuer or borrower, changes in specific market, economic, industry, political, regulatory, geopolitical, and other conditions that affect a particular type of instrument, issuer, or borrower, and changes in general market, economic, political, regulatory, geopolitical, and other conditions. Certain events, such as natural disasters, terrorist attacks, war, and other geopolitical events can have a dramatic adverse effect on the price of a debt instrument. For certain types of instruments, including derivatives, the price of the instrument depends in part on the credit quality of the counterparty to the transaction. For other types of debt instruments, including asset-backed securities, the price of the debt instrument also depends on the credit quality and adequacy of the underlying assets or collateral as well as whether there is a security interest in the underlying assets or collateral. Enforcing rights, if any, against the underlying assets or collateral may be difficult.

Lower quality debt instruments can involve a substantially greater risk of default or can already be in default, and their values can decline significantly over short periods of time. Lower quality debt instruments are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and principal. Lower quality debt instruments tend to be more sensitive to adverse news about the issuer, or the market or economy in general, than higher quality debt instruments. The market for lower quality debt instruments can be less liquid, especially during periods of recession or general market decline.

Municipal instruments supported as to the payment of principal and interest only by the revenue from a specific project or specific assets, or by the issuer's pledge to make annual appropriations for lease payments, are subject to greater credit risk due to the possibility that taxation supporting the project or assets will be discontinued, revenues for the project or from the assets will be insufficient, or annual appropriations for lease payments will not be made.

This does not represent a principal risk of the following mandates: Large Cap Growth, Growth Equity, Research Equity, Core Equity, Large Cap Value, Blended Research US Core Equity, Blended Research Global Equity 130/30, Global Growth, Global Value, European Equity, European Value, Global Equity, Global Research, International Research, International Concentrated Equity, Global Concentrated Equity, International Growth, International Equity, International Value, Emerging Markets Equity, Asia Pacific, Latin American Equity, UK Equity, Small Cap Growth Equity, Mid Cap Growth Equity and Technology Equity.

Currency Risk

A decline in the value of a foreign currency relative to the U.S. dollar reduces the value of the foreign currency and investments denominated in that currency. In addition, the use of foreign exchange contracts to reduce foreign currency exposure can eliminate some or all of the benefit of an increase in the value of a foreign currency versus the U.S. dollar. The value of foreign currencies relative to the U.S. dollar fluctuates in response to, among other factors, interest rate changes, intervention (or failure to intervene) by the U.S. or foreign governments, central banks, or supranational entities such as the International Monetary Fund, the imposition of currency controls, and other political or regulatory conditions in the U.S. or abroad. Foreign currency values can decrease significantly both in the short term and over the long term in response to these and other conditions.

This does not represent a principal risk of the following mandates: Large Cap Growth, Growth Equity, Research Equity, Core Equity, Large Cap Value, Blended Research US Core Equity, Small Cap Growth Equity, Mid Cap Growth Equity, Municipal Fixed Income, Limited Maturity Fixed Income and Domestic Balanced.

Geographic Concentration Risk

A relatively large percentage of an account's assets may be invested in issuers located in a single country, a small number of countries, or a particular geographic region. Accordingly, the account's performance could be closely tied to the market, currency, economic, political, regulatory, geopolitical or other conditions in those countries or that region and could be more volatile than the performance of more geographically diversified accounts. The account's performance may be more vulnerable to the reliance by such countries or regions on a few industries or commodities and to changes in international trade, trade barriers, and exchange controls. In the case of an account invested in securities issued by a particular government or municipality, other conditions that could affect performance include constitutional or statutory limits on such issuer's ability to raise revenues or increase taxes, anticipated or actual budget deficits or other financial difficulties, or changes in the issuer's credit quality.

This does not represent a principal risk of the following mandates: Large Cap Growth, Growth Equity, Research Equity, Core Equity, Utilities, Large Cap Value, Blended Research US Core Equity, Small Cap Growth Equity, Mid Cap Growth Equity, Technology Equity, High Yield, Core Fixed Income, Core Plus Research Fixed Income, Municipal Fixed Income, Limited Maturity Fixed Income and Domestic Balanced.

Foreign Risk

Investments in securities of foreign issuers, securities of companies with significant foreign exposure, and foreign currencies can involve additional risks relating to market, economic, political, regulatory, geopolitical, or other conditions. Exposure to foreign markets through issuers or entities providing credit support can also involve increased risks due to adverse changes in such conditions. Political, social, and economic instability, the imposition of currency or capital controls, or the expropriation or nationalization of assets in a particular country can cause dramatic declines in that country's economy.

Less stringent regulatory, accounting, and disclosure requirements for issuers and markets are more common in certain foreign countries. Enforcing legal rights can be difficult, costly, and slow in certain foreign countries, and can be particularly difficult against foreign governments. Further risks of foreign investments include trading, settlement, custodial, and other operational risks, and withholding and other taxes. These factors can make foreign investments, especially those in emerging markets, more volatile and less liquid than U.S. investments. In addition, foreign markets can react differently to market, economic, political, regulatory, geopolitical, or other conditions than the U.S. market.

This does not represent a principal risk of the Municipal Fixed Income mandate.

Emerging Markets Risk

Emerging markets investments in particular can involve additional and greater risks than the risks associated with investment in developed foreign markets securities. Emerging markets typically have less developed economies and markets, less developed legal, regulatory, and accounting systems, and more government involvement in the economy than developed countries. Emerging markets can also be subject to greater political, social, and economic instability. These factors can make emerging market investments more volatile and less liquid than investments in developed markets.

This does not represent a principal risk of the following mandates: Large Cap Growth, Growth Equity, Research Equity, Core Equity, Large Cap Value, Blended Research US Core Equity, Small Cap Growth Equity, Mid Cap Growth Equity, Municipal Fixed Income, Limited Maturity Fixed Income and Domestic Balanced.

Derivatives Risk

Derivatives can be highly volatile and involve risks in addition to the risks of the underlying indicator(s). Gains or losses from derivatives can be substantially greater than the derivatives' original cost, and can sometimes be unlimited. Derivatives can involve leverage. Derivatives can be complex instruments and can involve analysis and processing that differs from that required for other investment types used by an account. If the value of a derivative does not correlate well with the particular market or other asset class the derivative is intended to provide exposure to, the derivative may not have the effect anticipated. Derivatives can also reduce the opportunity for gains or result in losses by offsetting positive returns in other investments. Derivatives can be less liquid than other types of investments.

This does not represent a principal risk of the following mandates: Large Cap Growth, Growth Equity, Large Cap Value, Blended Research US Core Equity, Global Growth, Global Value, Global Equity, International Equity, International Concentrated Equity, Global Concentrated Equity, International Growth, International Value, Emerging Markets Equity, Latin American Equity, Small Cap Growth Equity and Mid Cap Growth Equity.

Leveraging Risk

Certain transactions and investment strategies can result in leverage. The use of leverage involves

investment exposure in an amount exceeding the initial investment. There can be no assurance that a leveraging strategy will be successful during any period in which it is employed. In transactions involving leverage, a relatively small change in an underlying indicator can lead to significantly larger losses to an account. Leverage can cause increased volatility by magnifying gains or losses. For instance, investing the proceeds from short positions in long positions involves leverage. To the extent that investments are purchased with the proceeds from short sales, an account's value will increase or decrease at a greater rate than a comparable unleveraged account. If the investment income or gains earned from the investments purchased with the proceeds from short sales fails to cover the expenses of leveraging, the account's net asset value is likely to decrease more quickly than if the account were not leveraged.

This does not represent a principal risk of the following mandates: Large Cap Growth, Large Cap Value, Blended Research US Core Equity, Global Growth, Global Value, Global Equity, International Equity, International Concentrated Equity, Global Concentrated Equity, International Growth, International Value, Emerging Markets Equity, Latin American Equity, UK Equity, Small Cap Growth Equity and Mid Cap Growth Equity.

Investment Selection Risk

The MFS analysis of an investment can be incorrect and its selection of investments can lead to an investment focus that results in the account underperforming other accounts with similar investment strategies and/or underperforming the markets in which the account invests.

Counterparty and Third Party Exposure Risk

Transactions involving a counterparty other than the issuer of the instrument, or a third party responsible for servicing the instrument or effecting the transaction, are subject to the credit risk of the counterparty or third party, and to the counterparty's or third party's ability to perform in accordance with the terms of the transaction.

Liquidity Risk

Certain investments and types of investments are subject to restrictions on resale, may trade in the over-the-counter market or in limited volume, or may not have an active trading market. In addition, at times, all or a large portion of segments of the market may not have an active trading market. As a result, it may not be possible to sell a particular investment or type of investment at any particular time or at an acceptable price.

Prepayment/Extension Risk

Many types of debt instruments, including mortgage-backed securities, asset-backed securities, certain corporate bonds and certain derivatives, and municipal housing bonds, are subject to the risk of prepayment and/or extension. Prepayment occurs when unscheduled payments of principal are made or the instrument is called or redeemed prior to an instrument's maturity. When interest rates decline, the instrument is called, or for other reasons, these debt instruments may be repaid more quickly than

expected. As a result, the holder of the debt instrument may not be able to reinvest the proceeds at the same interest rate or on the same terms, reducing the potential for gain. When interest rates increase or for other reasons, these debt instruments may be repaid more slowly than expected. As a result, the maturity of the debt instrument is extended, increasing the potential for loss. In addition, prepayment rates are difficult to predict and the potential impact of prepayment on the price of a debt instrument depends on the terms of the instrument.

This does not represent a principal risk of the following mandates: Large Cap Growth, Growth Equity, Research Equity, Core Equity, Utilities, Large Cap Value, Blended Research US Core Equity, Blended Research Global Equity 130/30, Global Growth, Global Value, European Equity, European Value, Global Equity, Global Research, International Research, International Concentrated Equity, Global Concentrated Equity, International Growth, International Equity, International Value, Emerging Markets Equity, Asia Pacific, Latin American Equity, UK Equity, Small Cap Growth Equity, Mid Cap Growth Equity, Technology Equity, High Yield, Emerging Market Debt and Emerging Market Debt Local Currency.

Municipal Risk

The price of a municipal instrument can be volatile and significantly affected by adverse tax or court rulings, legislative or political changes, market and economic conditions, issuer, industry-specific and other conditions. If the Internal Revenue Service or a state taxing authority determines that an issuer of a municipal instrument has not complied with applicable tax requirements, interest from the instrument could become taxable (including retroactively) and the instrument could decline significantly in price. Because many municipal instruments are issued to finance similar projects, especially those relating to education, health care, housing, utilities, and water and sewer, conditions in these industries can significantly affect the account and the overall municipal market. In addition, changes in the financial condition of an individual municipal insurer can affect the overall municipal market.

This does not represent a principal risk of the following mandates: Large Cap Growth, Growth Equity, Research Equity, Core Equity, Utilities, Large Cap Value, Blended Research US Core Equity, Blended Research Global Equity 130/30, Global Growth, Global Value, European Equity, European Value, Global Equity, Global Research, International Research, International Concentrated Equity, Global Concentrated Equity, International Growth, International Equity, International Value, Emerging Markets Equity, Asia Pacific, Latin American Equity, UK Equity, Small Cap Growth Equity, Mid Cap Growth Equity, Technology Equity, High Yield, Emerging Market Debt and Emerging Market Debt Local Currency.

Inflation-Adjusted Debt Instrument Risk

Interest payments on inflation-adjusted debt instruments can be unpredictable and vary based on the level of inflation. If inflation is negative, principal and income both can decline. In addition, the measure of inflation used may not correspond to the actual rate of inflation experienced by a particular individual.

This does not represent a principal risk of the following mandates: Large Cap Growth, Growth Equity,

Research Equity, Core Equity, Utilities, Large Cap Value, Blended Research US Core Equity, Blended Research Global Equity 130/30, Global Growth, Global Value, European Equity, European Value, Global Equity, Global Research, International Research, International Concentrated Equity, Global Concentrated Equity, International Growth, International Equity, International Value, Emerging Markets Equity, Asia Pacific, Latin American Equity, UK Equity, Small Cap Growth Equity, Mid Cap Growth Equity, Technology Equity, High Yield, Municipal Fixed Income, Emerging Market Debt and Emerging Market Debt Local Currency.

Utilities Concentration Risk

The account's performance will be closely tied to the performance of utilities issuers and, as a result, can be more volatile than the performance of more broadly diversified accounts. The price of stocks in the utilities sector can be very volatile due to supply and/or demand for services or fuel, financing costs, conservation efforts, the negative impact of regulation, and other factors.

The Utilities mandate is the sole mandate for which this represents a principal risk.

Technology Concentration Risk

The account's performance will be closely tied to the performance of technology issuers and, as a result, can be more volatile than the performance of more broadly-diversified funds. The price of stocks in the technology sector can be very volatile due to the rapid pace of product change, technological developments, and other factors.

The Technology Equity mandate is the sole mandate for which this represents a principal risk.

Latin American Market Risk

All of the countries in the Latin American region are currently considered emerging market economies. High interest, inflation, and unemployment rates have historically characterized most Latin American economies. These economies are less developed and can be reliant on particular industries and more vulnerable to changes in international trade, trade barriers and other protectionist or retaliatory measures. The economies of Latin American countries are particularly sensitive to fluctuations in commodity prices because commodities represent a significant percentage of exports of many Latin American countries. Governments of many Latin American countries exercise substantial influence over many aspects of the private sector, and any such exercise could have a significant effect on issuers in which the account invests.

The Latin American Equity mandate is the sole mandate for which this represents a principal risk.

Asia Pacific Risk

Many of the economies of countries in the Asia Pacific region are considered emerging market economies. Countries in the Asia Pacific region can be reliant on only a few industries or commodities.

Many Asia Pacific economies may be intertwined, so they may experience recessions at the same time or respond similarly to adverse events. Furthermore, many of the Asia Pacific economies are characterized by high inflation, undeveloped financial service sectors, frequent currency fluctuations, devaluations, or restrictions, political and social instability, and less efficient markets. The economies of many Asia Pacific countries are heavily dependent on international trade and can be adversely affected by trade barriers, exchange controls and other measures imposed or negotiated by the countries with which they trade.

The Asia Pacific mandate is the sole mandate for which this represents a principal risk.

European Market Risk

The economies of countries in Europe are in all stages of economic development and include both emerging and developed markets. European countries can be significantly affected by the tight fiscal and monetary controls that the European Economic and Monetary Union (EMU) imposes on its members and with which candidates for EMU membership are required to comply. Eastern European countries remain relatively undeveloped and can be particularly sensitive to social, political and economic conditions.

European Equity and European Value are the sole mandates for which this represents a principal risk.

Short Sales Risk

A security sold short is closed out at a loss if the price of the security sold short increases between the time of the short sale and closing out the short position. Because a short position loses value as the security's price increases, the potential loss on a short sale is unlimited. The lender of the security may terminate a short sale, thereby requiring an account, if the account is unable to borrow the same security from another lender, to buy replacement shares at the security's then-current market price or pay the lender an amount equal to purchasing the security to close out the short position. It may not be possible to close out a short position at any particular time or at an acceptable price. An account must normally repay the lender an amount equal to any dividends or interest that accrues while a loan is outstanding. In addition, to borrow a security, the account may be required to pay a premium. The amount of any gain will be decreased, and the amount of any loss increased, by the amount of premiums, dividends, interest or expenses the account may be required to pay in connection with a short sale.

The Blended Research Global Equity 130/30 and the Technology Equity mandates are the sole mandates for which this represents a principal risk.

130/30 Strategy Risk

MFS may be unable to fully implement an account's 130/30 strategy due to a lack of available securities or counterparties, regulatory restrictions on short sales, swaps or other derivative instruments, or for other reasons. For example, MFS may not be able to borrow a security that it seeks to sell short or

otherwise establish a short position at a particular time or at an acceptable price. MFS' strategy may involve leverage and may not be successful, resulting in greater losses or lower positive returns than if the account held only long positions. The value of an account's long positions may decline at the same time as the value of securities sold short or the value of the indicators underlying the account's short positions increases, thereby increasing the potential losses to and volatility of the account.

The Blended Research Global Equity 130/30 mandate is the sole mandate for which this represents a principal risk.

Item 9 –Disciplinary Information

MFSI itself has no criminal or civil actions or self-regulatory organization proceedings to report. MFSI reports the following administrative proceedings involving its parent, MFS:

1) On September 4, 2003, the SEC entered an order settling an administrative proceeding in which the SEC alleged that MFS failed to establish, maintain, and enforce adequate written policies and procedures reasonably designed to prevent the misuse of non-public information, in violation of Section 204A of the Advisers Act. In particular, the SEC found that MFS' policies and procedures failed to address the use of consultants by MFS or the handling of information obtained from consultants, particularly with respect to debt securities and government securities. MFS neither admitted nor denied the SEC's findings. Under the settlement, MFS paid a civil money penalty of \$200,000, was required to cease and desist from violations of Section 204A of the Advisers Act, and was censured. MFS was also required to review its policies, procedures, and practices in connection with Section 204A, adopt suitable policies and procedures to comply fully with Section 204A, and provide a report to the SEC detailing such compliance measures. In reaching this settlement, the SEC considered MFS' cooperation and MFS' reimbursement of an impacted broker-dealer in the amount of \$717,858.

2) On February 5, 2004, MFS reached agreements with the SEC, Office of the Attorney General of the State of New York ("NYAG"), and State of New Hampshire Bureau of Securities Regulation ("NH") to settle proceedings involving allegations of false and misleading information regarding market timing in the prospectuses of several mutual funds for which MFS served as investment adviser.

Under the terms of the settlements, MFS paid \$225 million to the SEC, which was comprised of a \$50 million civil penalty and \$175 million in disgorgement. Pursuant to the settlement order, the settlement pool was distributed to shareholders of the affected mutual funds in accordance with a plan of distribution developed by an independent distribution consultant and approved by the SEC. MFS agreed with the NYAG to cease and desist from violations of the Martin Act and to reduce its management fees charged to certain mutual funds over the ensuing five years in the aggregate amount of approximately \$25 million per year. MFS further agreed to pay an administrative fine of \$1 million to NH, to be used for investor education purposes, and to pay \$100,000 to defray the costs of investigation. Under the settlements, MFS also agreed to certain additional compliance, corporate governance, and disclosure-related undertakings.

MFS' former chief executive officer, John W. Ballen, and former president, Kevin R. Parke, were

also parties to the February 5, 2004 SEC settlement order relating to market timing. Messrs. Ballen and Parke, who resigned their positions with MFS on February 13, 2004, agreed to a prohibition from serving as an employee, officer, or trustee of any registered investment company for three years. Messrs. Ballen and Parke also agreed to a suspension from association with any investment adviser or registered investment company of nine and six months, respectively. Pursuant to the settlement, Mr. Ballen paid \$57,736.56 in disgorgement, prejudgment interest of \$6,322.32, and a civil money penalty of \$250,000. Mr. Parke paid \$58,853.02 in disgorgement, prejudgment interest of \$6,230.97, plus a civil money penalty of \$250,000.

3) On March 31, 2004, MFS settled an SEC administrative proceeding in which the SEC alleged that MFS failed to disclose adequately certain arrangements known as "strategic alliances" with various broker-dealers, which related to MFS' allocation of brokerage commissions, and the potential conflict of interest created by such arrangements. Under the terms of the settlement, in which MFS neither admitted nor denied wrongdoing, MFS agreed to pay a \$50 million civil penalty, as well as \$1.00 (one dollar) in disgorgement, to the SEC, which was then distributed to certain mutual funds for which it served as investment adviser pursuant to a plan approved by an independent distribution consultant. Also as part of the settlement, MFS agreed to retain an independent compliance consultant to review its disclosure to the Boards of Trustees and shareholders of such funds concerning strategic alliances between MFS or its affiliates and broker-dealers or other financial advisers who support the sale of shares in the funds. The allocation practices that were the subject of this proceeding had been discontinued by MFS in November 2003.

Item 10 – Other Financial Industry Activities and Affiliations.

As described above in Item 4, *Advisory Business*, MFSI is part of the MFS Global Group, which consists of investment advisers with investment professionals located in Japan, Australia, Singapore, Mexico, Canada, and the United Kingdom, as well as the United States. Moreover, as mentioned in Item 8, *Methods of Analysis, Investment Strategies and Risk of Loss*, from time to time, MFSI benefits from sharing research with its Participating Affiliates and MBL and may also share investment personnel among the Participating Affiliates pursuant to the previously described MOU. The investment professionals of each affiliated investment adviser in the MFS Global Group contribute to the management of all client portfolios in the MFS Global Group. Supervision of such portfolio management is the responsibility of the officers and employees of each Participating Affiliate and MFS. In addition, MFS' trading personnel are responsible for implementing portfolio management decisions relating to client accounts, including clients of MFSI. Specific decisions to purchase or sell a client's portfolio securities are made by individuals affiliated with MFSI. Any such individual may serve other clients of MFSI or any affiliate of MFSI in a similar capacity.

MFSI has retained the services of investment professionals from one or more of the investment advisers in the MFS Global Group to provide portfolio management and trading services to MFSI's clients pursuant to the MOU by and among MFS, MFSI, and each of the Participating Affiliates. The activities of the Participating Affiliates within the MFS Global Group are described more fully below. The MOU also designates certain advisory personnel of the Participating Affiliates as Participating Employees for purposes of regulatory supervision.

- **MIL.** MIL is a wholly-owned subsidiary of MFS organized under the laws of Bermuda. MIL provides management and distribution services for various investment products and services, including distribution of products advised or sub-advised by MFSI or MFS. Through its Singapore branch, MIL also provides investment advice for certain separate account clients advised or sub-advised by MFSI or MFS.
- **MIL UK.** MIL UK is a wholly -owned subsidiary of MIL organized under the laws of England and Wales. MIL UK provides investment research, advice and management services with respect to various non-U.S. registered products or non-U.S. clients, including those for which MFSI and/or its affiliates act as an investment adviser or sub-adviser. As a Participating Affiliate within the MFS Global Group, MIL UK also provides investment research, advice and management services with respect to various U.S. registered products or U.S. clients, including those for which MFSI and/or its affiliates acts as an investment adviser or sub-adviser.

- **MIMKK.** MIMKK is a wholly-owned subsidiary of MFS organized under the laws of Japan. MIMKK provides investment advisory services for certain non-U.S. registered products or non-U.S. clients for which MFSI and/or its affiliates act as investment adviser or sub-adviser. As a Participating Affiliate within the MFS Global Group, MIMKK also provides investment advisory services for certain U.S. registered products or U.S. clients for which MFSI and/or its affiliates act as investment adviser or sub-adviser.

In addition to the Participating Affiliates, MFSI also has arrangements material to its advisory business or its clients with the following affiliated entities:

MFS

MFS, an investment adviser registered with the SEC, is a subsidiary of Sun Life of Canada (U.S.) Financial Services Holdings, Inc., and an indirect subsidiary of Sun Life Financial Inc. MFS is the direct parent company of MFSI and provides certain investment management and related services to MFSI, including day-to-day management of and trading for client portfolios.

MBL

MBL, a wholly-owned subsidiary of MFSI, is an investment adviser headquartered in Toronto, Ontario, Canada and registered in each of the provinces and territories of Canada. MBL is also registered as an investment adviser with the SEC. MBL provides services to pension, foundation and personal wealth accounts based in Canada and outside of Canada. These accounts are actively managed through the use of Canadian mutual funds, private pooled investment funds, and/or individual securities. MBL also participates in wrap fee programs for non-U.S. clients.

MFS Fund Distributors, Inc. (“MFD”)

MFD, a registered broker-dealer and wholly-owned subsidiary of MFS, acts as distributor for most of the registered open-end management investment companies for which MFS acts as the primary investment adviser. One management person of MFSI—Carol Geremia, its President—is also a registered representative of MFD. The agreements under which MFD serves as distributor are subject to annual approval by the independent trustees of the MFS Funds.

MFS Heritage Trust Company (“MHTC”)

MHTC, a wholly-owned subsidiary of MFS, is a New Hampshire-chartered limited purpose trust company that serves as a directed trustee or custodian of certain employer-sponsored retirement plans and individual retirement accounts, as well as trustee, manager and administrator for collective investment trusts offered to eligible participants. MFSI provides client introductions and client servicing support to MHTC for its collective investment trusts.

MFS Lux

MFS is a 99.9% owner of MFS Lux and MIL is a 0.1% owner of MFS Lux. MFS Lux is a *société anonyme* organized under Luxembourg law. MFS Lux provides management services to certain non-U.S.

registered investment products for which MFSI and/or its affiliates act as investment manager.

1924 Capital Management, LLC

1924 Capital Management, LLC, a wholly-owned subsidiary of MFS, is a Delaware limited liability company that serves as the general partner of certain privately offered funds employing Alternative Strategies. MFS serves as the investment manager to these funds. Please refer to Item 6, *Performance Based Fees and Side by Side Management*; Item 11, *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*; and Item 12, *Brokerage Practices*, for a discussion of the manner in which MFS addresses potential conflicts of interest posed by the Alternative Strategies.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

MFSI and its affiliates may act as investment manager to numerous client accounts and may give advice or take action with respect to any client account, or for its own account, that differs from action taken on behalf of other accounts. MFSI and its affiliates are not obligated to recommend, buy, or sell, or to refrain from buying or selling, any security that MFSI or its affiliates may buy or sell for its or their own account or for the account of any other client.

Currently, MFSI sub-advises a number of mutual fund trusts managed by Sun Life Global Investments (Canada) Inc. and manages client assets on behalf of certain other subsidiaries of SLF.

Certain accounts invested in Alternative Strategies to which MFS provides investment management may be beneficially owned by MFS or its officers and employees. MFS' management of Alternative Strategies presents these principal potential conflicts: 1) charging a performance-based fee (MFS has an incentive to favor a performance-based fee account to maximize fee revenue and to create a good track record to maximize distribution opportunities); 2) investment of proprietary assets (MFS invests proprietary assets in Alternative Strategies and therefore has an incentive to favor its investments to maximize its return); 3) portfolio manager investment in an Alternative Strategy (a portfolio manager has an incentive to favor accounts in which he/she is invested in order to maximize the return of his/her investment); and 4) the management of Alternative Strategies and long-only strategies by the same portfolio management teams (conflicts between the long and short strategies, e.g., short sale of a security that is owned long in another portfolio managed by the same portfolio management team) (so-called "side-by-side management"). Please also refer to Item 6, *Performance Based Fees and Side by Side Management*, and Item 12, *Brokerage Practices*, for discussions of the manner in which MFS addresses such potential conflicts of interest.

MFS has also established and seeded a number of Proprietary Accounts (as defined in Item 12, *Brokerage Practices*), each with not more than \$25 million, for the purpose of establishing a performance record to enable MFS or one of its subsidiaries to offer such an account's investment style to clients (each an "MFS Pilot Fund") (an MFS Pilot Fund may also include client money in certain circumstances). MFSI may purchase on behalf of one or more client accounts the same securities or other financial instruments as those held in an MFS Pilot Fund. Such client accounts may be managed similarly to the MFS Pilot Fund or pursuant to a different investment style than the MFS Pilot Fund. Although not restricted to the same degree as trading by Access Persons discussed below, an MFS Pilot Fund is subject to special trading restrictions described more fully under the caption "Order Aggregation and Allocation Practices" in Item 12, *Brokerage Practices*, below.

Further, employees of the MFS Global Group may invest or otherwise have an interest in securities owned by or recommended to MFSI's clients. Such employees may invest or otherwise have an interest, either directly or indirectly, in private funds that may invest in securities held in other client accounts.

As the situations described above may give rise to potential conflicts of interest, MFSI has implemented policies and procedures relating to, among other things, portfolio management and trading practices, personal securities transactions, and insider trading. These policies and procedures are intended to reduce the frequency of such conflicts of interest with or among clients and to resolve them appropriately when they do occur.

The MFS Investment Management Code of Ethics (the "Code"), applicable to MFSI as a subsidiary of MFS, includes standards of business conduct requiring MFSI's employees to comply with pertinent U.S. federal securities laws and the fiduciary duties an investment adviser owes its clients. The overarching purpose of the Code is to ensure that the interests of clients are always placed first. Accordingly, in governing the personal trading of MFSI employees, including its officers and employee directors, the Code requires them to avoid (i) placing personal interests ahead of clients' interest; (ii) creating actual or potential conflicts of interest between personal activities and client activities; and (iii) taking advantage of their position to misappropriate investment opportunities from clients. Except as permitted by the Code, all employees are obliged to report personal and beneficially owned accounts as well as transactions and holdings in Covered Securities (as that term is defined in the Code), including mutual funds managed and sub-advised by MFS. However, neither MFSI nor any of its employees is obligated to refrain from investing in securities held by the accounts that it manages except to the extent that such investments violate applicable law, the Code, or other policies of MFS or MFSI.

In addition, employees deemed to be Access Persons (which, as defined in the Code, includes all investment personnel) must receive pre-clearance authorization to execute transactions in Covered Securities (as defined in the Code) for personal and beneficially owned accounts.

Portfolio Managers (as defined in the Code) are prohibited from trading a security for their personal account (i) for seven calendar days after a transaction in the same or equivalent security in a client account managed by the Portfolio Manager and (ii) for seven calendar days before a transaction in the same or similar security in a client account managed by the Portfolio Manager if the Portfolio Manager has reason to believe that such client account was reasonably likely to trade the same or similar security within seven calendar days after a transaction in the Portfolio Manager's personal account. Portfolio Managers are also prohibited from personally buying and selling, or selling and buying, shares of any mutual fund managed by the Portfolio Manager within a 14 calendar day period. For these purposes, research analysts who support client portfolios that do not otherwise employ Portfolio Managers are themselves treated as Portfolio Managers.

All employees are required to certify quarterly that they have complied with the terms of the Code. Violations of the Code are reviewed with MFS' Code of Ethics Oversight Committee, which determines appropriate disciplinary action that may be taken for violations. Disciplinary action includes, but is not

limited to, written warnings, monetary penalties, restrictions on personal trading, profit disgorgement, and/or termination of employment.

The Code is intended to limit the investment activity of Access Persons and Investment Personnel (as defined in the Code) so that it is not detrimental to clients of MFS or MFSI. Please also refer to Item 12, *Brokerage Practices*, below, for a discussion of MFSI's practices with respect to potential conflicts arising from the recommendation or disposition of securities for both client accounts and accounts beneficially owned by institutions within the MFS Global Group.

A copy of the Code is available to clients and prospective clients upon request.

Inside Information Policy

MFS also maintains an Inside Information Policy, to which MFSI is subject, that establishes procedures to prevent the misuse of material, nonpublic information concerning an issuer of securities by MFSI and its officers, directors and employees. The policy provides that if any of the directors, officers and employees of MFS or any of its subsidiaries obtain material, nonpublic information concerning an issuer of securities, MFSI is prohibited from using such information for clients' benefit. For purposes of the policy, "using" material, nonpublic information for the benefit of clients includes trading activity while in possession of such information.

Investment in MFSI's Ultimate Parent Company

As a matter of corporate policy, and in accordance with applicable law, MFSI has adopted a policy of not investing the assets of any client in shares of SLF.

Item 12 – Brokerage Practices

The following is a general discussion of MFSI's brokerage practices, which in certain circumstances may be varied by specific direction of the client. At our discretion, MFSI may accept advisory accounts for which MFSI must utilize only brokers chosen by the client if the client agrees to waive MFSI's obligation to seek best execution of the client's transactions or advisory accounts on which clients may impose reasonable limits on MFSI's investment discretion.

Trading Venues and Methods

MFSI places trades in various manners including through different broker/dealers, agency brokers, principal market-making dealers, smaller brokers and dealers, which may specialize in particular regions or asset classes, futures commission merchants and OTC derivatives dealers (for purposes of the discussion in this section, each a "broker"). MFSI also utilizes electronic trading methods, including trades through Electronic Communications Networks ("ECNs") (including, without limitation, "Multilateral Trading Facilities or "MTFs") and Alternative Trading Systems ("ATs"). These trading platforms often, in the case of equity transactions, execute transactions at a commission rate lower than that charged by a full-service broker. When making trading decisions, MFSI selects venues and methods in order to seek best execution for client transactions. These decisions are influenced by a number of factors which are described more specifically below. Transaction costs may include market impact costs and opportunity costs as well as commission costs. Brokers, generally, may be used on a full service, execution-only or direct access basis.

Brokers may either receive a commission, which is generally negotiable and may vary depending on the type of broker and market, or for trades executed on a "net" basis in lieu of a commission, retain the difference (or a portion of the difference) between the buying price and the selling price (*i.e.*, the "spread"). Most domestic transactions in equity securities are executed in OTC or listed markets (*e.g.*, the New York Stock Exchange) on a commission or commission equivalent basis. Transactions in foreign equity securities are normally executed on foreign exchanges or bourses. Foreign equity securities are typically subject to a fixed commission rate which is negotiated on a country-by-country basis. Fixed income securities are generally traded on a net basis directly with a broker-dealer.

Selection of Brokers

Except as discussed below with respect to clients who have limited MFSI's brokerage discretion, MFSI places all orders for the purchase or sale of securities through MFS trading personnel with the primary objective of seeking to obtain the best execution from responsible executing brokers at competitive rates. MFSI seeks to deal with executing brokers that can meet a high standard of quality regarding execution services.

In seeking best execution, MFSI takes into account all factors that it considers to be relevant, including, by way of illustration, price, the size of the transaction, the nature of the market or the security, the amount of the commission, the timing and impact of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker involved, the willingness of the broker to commit capital, the need for anonymity in the market, and the quality of services rendered by the broker in other transactions, which may include the quality of the research provided by the broker.

Commission rates for equity securities and some derivatives may vary depending upon the trading techniques, methods, venues and brokers selected as well as the market(s) in which the security is traded and its relative liquidity. As noted above, MFSI may utilize numerous brokers and trading venues and strategies in order to seek best execution for client transactions. MFSI periodically and systematically reviews the performance of the brokers that execute its transactions, including the commission rates paid to brokers by considering the value and quality of brokerage and research services provided. The quality of a broker's services is measured by analyzing various factors that could affect the execution of trades. These factors include the ability to execute trades with a minimum of market impact, the speed and efficiency of executions, electronic trading capabilities, adequacy of capital, commitment of capital when necessary or desirable, market color provided to the investment adviser, and accommodation of the investment adviser's special needs. MFSI may employ outside vendors to provide reports on the quality of broker executions.

In the case of securities traded in the OTC market, portfolio transactions may be effected either on an agency basis, which involves the payment of negotiated brokerage commissions to the broker, including ECNs, or on a principal basis at net prices without commissions, but which include compensation to the broker in the form of a mark-up or mark-down, depending on where MFSI believes best execution is available. In the case of securities purchased from underwriters, the cost of such securities generally includes a fixed underwriting commission or concession. From time to time, soliciting dealer fees are available to MFSI on tender or exchange offers. Such soliciting or dealer fees are in effect recaptured by the clients.

MFSI believes that the MFS Global Group's order aggregation and allocation practices are reasonably designed to ensure that clients receive fair and equitable treatment over time. However, as described in greater detail below, the foregoing practices may have a detrimental effect on the price or availability of a security with respect to a particular client's account.

"Soft Dollars"

In allocating brokerage, MFSI may take into consideration the receipt of research and brokerage services, consistent with its obligation to seek best execution for client transactions. As permitted by Section 28(e) of the Securities Exchange Act of 1934, as amended ("Section 28(e)"), MFSI may cause clients to pay a broker that provides "brokerage and research services" (as defined by Section 28(e)) to MFSI an amount of commission for effecting a securities transaction for clients in excess of the amount

other brokers would have charged for the transaction if MFSI determines in good faith that the greater commission is reasonable in relation to the value of the brokerage and research services provided by the executing broker viewed in terms of either a particular transaction or MFSI's overall responsibilities to the client and its other clients. "Commissions," as interpreted by the SEC, include fees paid to brokers for trades conducted on an agency basis, and certain mark-ups, markdowns, commission equivalents and other fees received by dealers in riskless principal transactions.

The term "brokerage and research services" includes:

- advice as to the value of securities; the advisability of investing in, purchasing or selling securities; and the availability of securities or purchasers or sellers of securities;
- furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts; and
- effecting securities transactions and performing functions incidental thereto (such as clearance and settlement) or required in connection therewith by applicable rules.

Such services can include:

- access to corporate management;
- industry conferences;
- research field trips to visit corporate management and/or to tour manufacturing, production or distribution facilities;
- statistical, research and other factual information or services such as investment research reports;
- access to analysts;
- execution systems and trading analytics;
- reports or databases containing corporate, fundamental, and technical analyses;
- portfolio modeling strategies; and
- economic research services, such as publications, chart services, and advice from economists concerning macroeconomics information, and analytical investment information about particular corporations (collectively, "Research").

MFSI has entered into client commission agreements with broker-dealers that execute, clear or settle securities transactions on behalf of clients ("Executing Brokers") which provide for the Executing Brokers to pool a portion of the Commissions paid by MFSI's clients for securities transactions ("Pooled

Commissions”). Pooled Commissions also include a portion of the commission paid in connection with the transactions of other members of the MFS Global Group. Executing Brokers pay a portion of Pooled Commissions to providers of Research to MFSI (“Research Providers”). Because a Research Provider may play no role in executing client securities transactions, any Research prepared by that Research Provider may constitute third party research. MFSI may use brokerage commissions, including Pooled Commissions, from client portfolio transactions to acquire Research, subject to the procedures and limitations described in this discussion.

From time to time, MFS prepares a list of Research Providers that have been found to provide valuable Research (“Research Firms”) as determined periodically by certain members of MFS Global Group's investment staff (“Research Vote”). Executing Brokers are eligible to be included in the list of Research Firms. MFSI uses the Research Vote as a guide for allocating Pooled Commissions. Compensation for Research may also be made pursuant to commissions paid on trades (“Trade Commissions”) executed by a Research Provider who is registered as a broker-dealer (a “Broker Provider”). To the extent that payments for Research to a Broker Provider (other than Executing Brokers) are made pursuant to Trade Commissions, MFSI, as well as other members of the MFS Global Group, will reduce the amount of Pooled Commissions to be paid to that Broker Provider for its Research by a portion of the Trade Commission. MFSI, as well as other members of the MFS Global Group, ordinarily pay Executing Brokers for Research solely with Trade Commissions, even if the Research Vote would indicate that an Executing Broker should receive Pooled Commissions in addition to Trade Commissions. The Research Vote is also used as a guide for allocating cash payments made by MFSI or other members of the MFS Global Group from their own resources, if any, to Research Firms. Neither MFS nor any client has an obligation to any Research Firm if the amount of Trade Commissions and/or Pooled Commissions paid to the Research Firm is less than the applicable non-binding target. MFS reserves the right to pay cash to the Research Firm from its own resources in an amount MFS determines in its discretion.

If MFSI determines that any service or product has a mixed use (i.e., it also serves functions that do not assist the investment decision-making or trading process), MFSI may allocate the costs of such service or product accordingly in its reasonable discretion. MFSI will allocate Trade Commissions and/or Pooled Commissions to Research Firms, only for the portion of the service or product that MFSI determines assists it in the investment decision-making or trading process, and will pay for the remaining value of the product or service in cash. The Research is provided to MFSI for no consideration other than brokerage or underwriting commissions. In determining whether a service or product qualifies as “brokerage and research services”, MFSI evaluates whether the service or product provides lawful and appropriate assistance to MFSI in carrying out its investment decision-making responsibilities. It is often not possible to place a dollar value on the brokerage and research services provided to MFSI by brokers. The determination and evaluation of the reasonableness of the brokerage commissions paid is based primarily on the professional opinions of the investment professionals who utilize the Research provided by the brokers.

In certain instances, MFSI provides discretionary investment management services to a client of MBL or of a Participating Affiliate pursuant to a delegation of investment management authority or pursuant to

a sub-advisory agreement between MBL or the Participating Affiliate and MFSI. MBL or a Participating Affiliate may utilize fees paid in non-U.S. transactions executed on behalf of non-U.S. clients that do not fall within the definition of Commissions as interpreted by the SEC (*e.g.*, compensation generated in principal and certain riskless principal transactions) (“Other Compensation”) to purchase Research in accordance with rules issued by the U.K. Financial Services Authority or Canadian national instruments that govern money managers’ use of client commissions. MFSI’s portfolio management activities on behalf of non-U.S. clients of MBL or Participating Affiliates, pursuant to MFSI’s investment management authority, may cause these clients to generate Other Compensation in connection with transactions effected on behalf of those clients. In addition, trading personnel may effect portfolio transactions on behalf of non-U.S. clients of MBL or Participating Affiliates. Therefore, MFSI may obtain Research, or benefit from Research obtained, through transactions that may fall outside the safe harbor afforded by Section 28(e). However, no MFS Global Group member will use Other Compensation to purchase products or services other than Research. In addition, MFSI and MFS will not utilize Other Compensation generated in transactions effected on behalf of MFSI’s clients to purchase Research.

The advisory fee paid by MFSI's clients is not reduced as a consequence of MFSI’s receipt of Research. To the extent the clients’ portfolio transactions are used to obtain Research, the brokerage commissions paid by the clients might exceed those that might otherwise be paid for execution only.

Through the use of Research acquired with Trade Commissions or Pooled Commissions, MFSI avoids the additional expenses that it would incur if it developed comparable information through its own staff or if it purchased such Research with its own resources. As a result, MFSI may have an incentive to select or recommend a broker based on its interest in receiving the Research rather than the client's interest in receiving most favorable execution. The Research received may be useful and of value to MFSI or other members of the MFS Global Group in serving both the client accounts that generated the commissions and other clients of MFSI or other members of the MFS Global Group. Accordingly, not all of the Research provided by brokers through which client securities transactions are effected may be used by MFSI in connection with the clients whose account generated the brokerage commissions.

Private Portfolio Management (“PPM”) Account Brokerage

Brokerage transactions for PPM participants are generally directed through a sponsoring broker or its affiliates, which may limit or adversely affect the quality of execution that such participants might otherwise have received. For example, wrap fees generally cover the costs of brokerage commissions and other charges only for transactions effected through the wrap fee program sponsors or their affiliates. Thus, although its arrangements with certain wrap fee program sponsors allow MFSI the discretion to select other brokers in an effort to obtain best execution for participant accounts, many transactions in such cases will continue to be effected through the sponsor or its affiliates so that participants are not charged separate commissions and related costs for these transactions. MFSI generally believes that the wrap fee program sponsor is better able than MFSI to judge whether not causing wrap participants to be charged additional commissions above those embedded in the wrap program is advantageous to participants in the sponsor's wrap program. However, this means that wrap

accounts are unlikely to be executed at the same time through the same executing broker as institutional accounts when buying or selling the same securities. See discussion under the caption "Order Aggregation and Allocation Practices", below, for more information on the potential consequences of separating these transactions. As a result of the wrap program issues, in most instances MFSI is not in a position effectively to monitor or evaluate the nature and quality of the services participants receive from the wrap fee program sponsors. Additionally, in UMA programs, the sponsor may also perform various maintenance trades for participants. For purposes of the previous sentence, "maintenance trades" are trades required due to opening new accounts, closing existing accounts, and effecting additions to or reductions in open accounts. Where the UMA sponsor does perform maintenance trades, it generally directs those trades to itself or its affiliates and, other than providing the portfolio model, MFSI neither participates in, nor is responsible for, those transactions.

MFSI may purchase foreign securities on behalf of its PPM participants through the use of American Depositary Receipts, Global Depositary Receipts or similar securities (collectively, "ADRs"). In certain circumstances MFSI may elect to "create" an ADR whereby ordinary shares of a foreign issuer are purchased and deposited with an ADR custodian, which creates the ADR. Reasons for creating an ADR include circumstances in which MFSI believes the market in ADRs in the United States is not sufficiently liquid or when the U.S. markets are not open. When an ADR is created, a broker-dealer initiates the transaction and then steps out the transaction to the PPM participant's sponsor. Upon a sale, the ADR is "collapsed", and the underlying shares of the foreign issuer are sold in the foreign market. PPM participants may incur a proportionate share of any costs associated with any ADRs in which the PPM participant's asset are invested, and may also incur fees associated with creating or collapsing ADRs.

Order Aggregation and Allocation Practices – Excluding PPM

Trade Opportunities

As a part of MFSI's duty to seek best execution, MFSI may, but is not required to, aggregate purchases and sales of the same security for several clients and allocate the trades, in a fair and equitable manner, across participating accounts. To address these circumstances, MFSI has adopted the trading allocation policies described below. These policies apply in instances where investments may be appropriate for more than one client or account of MFSI, MFS or other members of the MFS Global Group. The procedures are designed to help assure that investment opportunities are allocated in a manner that is fair and equitable to each client and account and that no client or account of MFSI, MFS or other MFS Global Group member is improperly favored over any other client or account. When two or more clients are simultaneously engaged in the purchase or sale of the same investment, the investments are allocated in a manner believed to be equitable to each.

Generally, investment opportunities are allocated *pro rata* among accounts with the same or similar investment objectives managed by a portfolio manager based on the size of the account (or relevant portion thereof) (each, an "Account"). For purposes of MFSI's trading allocation policies, the MFS Global Group defines a *pro rata* allocation of an investment opportunity among similarly-managed accounts as

one that, after giving effect to the allocation among those accounts, the relevant portion of the accounts will have similar portfolio characteristics. In making *pro rata* allocations of investment opportunities, MFSI permits allocations to be weighted (a) to counterbalance disparities in positions or portfolio characteristics among similarly managed accounts, (b) to account for cash availability and expected flows for similarly managed accounts, (c) prospectus restrictions, account guideline restrictions or other restrictions, and (d) tax reasons (collectively, "Deviation Reasons"). It will not be a violation of MFSI's trading allocation policies if similarly managed accounts are not allocated a *pro rata* portion of an investment opportunity as a result of MFSI's implementation of one or more Deviation Reasons.

Equity Accounts will be deemed to have similar characteristics if, after giving effect to the execution, the weighting of a portfolio security held in a similarly managed account is within 50 basis points of the weighting of the same security in the applicable model portfolio. Dispersion of greater than 50 basis points and not supported by a Deviation Reason will not by itself constitute a violation of this policy provided that the dispersion of more than 50 basis points is approved by the portfolio manager (and the reasons for the different treatment of the similarly managed account are documented and approved by MFS' Investment Management Committee ("IMC")) or brought within 50 basis points within 3 months of the time that the dispersion first exceeded 50 basis points.

In monitoring any deviations from the general rule, the MFS Global Group may review several measures. In the case of two Accounts that are similarly managed, for example, the MFS Global Group may flag dispersion in performance results for further examination. Such dispersion, however, is not necessarily dispositive of unfair favoring, as it could legitimately result from factors such as variations in cash flows or client restrictions on the MFS Global Group's ability to freely select brokers to execute transactions with respect to a particular Account. In the case of Accounts that are not similarly managed, the MFS Global Group analyzes compliance with such Accounts' respective investment guidelines. Any deviation would need to be justified by reference to the pertinent Account's investment guidelines. These guidelines may be more or less detailed depending upon the complexity of the investment strategy pursued.

As a general matter, MFSI will not allocate an investment opportunity to "Proprietary Accounts" until it has first been allocated to client Accounts. MFSI defines Proprietary Accounts as those Accounts (i) owned beneficially solely by a member of the MFS Global Group; (ii) in which MFS officers and employees or Trustees/Managers of any of the registered investment companies for which MFS serves as the primary investment adviser are principally the beneficial owners; or (iii) invested in an Alternative Strategy that is twenty-five percent (25%) or more owned by a member of the MFS Global Group, its officers and employees and that the IMC has determined in its discretion to be an alternative account. Proprietary Accounts are not eligible for new issue allocations ("New Issue Restrictions") and may receive secondary allocations only after client accounts have received their full allocations ("Secondary Restriction"). Furthermore, short sales, or purchases to cover short positions, for Proprietary Accounts may be effected only after regular-way sales or regular-way purchases, respectively, for client accounts ("Short Sale Restriction").

The allocation policies currently exclude two types of Proprietary Accounts from some or all of these restrictions. Any Proprietary Account that has been established and seeded with not more than \$25 million in a commingled vehicle advised or maintained by a member of the MFS Global Group and that is available for purchase by unaffiliated third parties ("New MFS Funds") is excluded from the scope of the New Issue Restriction, the Secondary Restriction and the Short Sale Restriction. Any MFS Pilot Fund is excluded from the scope of the Secondary Restriction and the Short Sale Restriction. New MFS Funds and MFS Pilot Funds otherwise trade *pari passu* with MFSI's client Accounts. MFS may manage Accounts that are beneficially owned by SLF or one or more of its subsidiaries not controlled by MFS. Such Accounts are not Proprietary Accounts and are entitled to allocation of investment opportunities and proceeds of aggregated orders on the same basis as other clients.

The securities and other financial instruments held in client accounts may not be identical, even in similarly managed accounts. This could occur, for example, as a result of an account's specific investment objectives, investment strategies, different cash resources arising from contributions or withdrawals, certain attributes of a portfolio security or its issuer and/or treatment of the security or issuer by a third-party service provider or the purchase of a small position to assess the overall desirability of an investment. Transactions for each account are generally effected independently, unless MFSI determines to purchase or sell the same investments for several accounts at approximately the same time.

Allocation decisions are not based on the performance of, or amount or type of management fees paid by, an Account or set of Accounts. Post-execution allocation of orders may be made only in limited circumstances and only to the extent permitted by MFSI's written policies.

IPO Allocation

MFSI maintains specific written policies regarding allocation of investments acquired in oversubscribed secondary offerings and securities with respect to which MFS Global Group portfolio manager demand exceeds MFS Global Group internal ownership limits (collectively, "Equity Limited Offerings"), which address situations in which orders for client Accounts exceed the available shares in such an Equity Limited Offering. These policies generally ensure that similarly mandated Accounts receive allocations in proportion to the relevant assets within the Account. Asset weightings for each Account are calculated based on the following "categories": large-, mid- and small-capitalization; and U.S. and non-U.S. holdings. Capitalization ranges are based upon definitions established by Lipper Analytical Services. Allocation is generally *pro rata* based upon the proportion that the amount of the Account's relevant assets bears to the total of the relevant assets held in all Accounts that submit orders.

In the event that a portion of the available investments in an Equity Limited Offering remains unallocated after all Accounts have received a full allocation, the allocation of the unallocated investments to each Account will be based on the total weighting of all equity assets of each Account. This allocation approach will be employed until all of the investments received in the Equity Limited Offering have been allocated.

MFSI follows similar policies when allocating fixed income securities issued in the new issue market, oversubscribed secondary offerings and securities with respect to which MFS Global Group portfolio manager demand exceeds MFS Global Group internal ownership limits (collectively, "Fixed Income Limited Offerings") and secondary issues of fixed income investments, based upon the proportion that the amount of the Account's relevant assets bears to the total of the relevant assets held in Accounts holding the specific asset type of the fixed income offering at time of order (e.g., high yield, investment grade corporate, emerging market, high grade government municipal or bank loan). An exception to this allocation rule applies to Accounts with a particular asset bias (e.g., bank loan) that is in "ramping mode" (i.e., an Account that is not yet fully invested). For such Accounts, the amount of relevant assets shall be deemed to be the amount that would be held by such Account were that account fully invested (i.e., consistent with how the portfolio is expected to look when it becomes fully invested). This may result in an Account in "ramping mode" receiving a larger relative amount of investments in such an offering than would an Account with the same amount invested in the relevant asset class but not in a "ramping mode." The foregoing limitations apply only in instances where the demand among Accounts for the fixed income investments is greater than what is available for purchase.

Exceptions to the Equity Limited Offering and Fixed Income Limited Offering allocation guidelines may be made in limited circumstances. One circumstance that can arise involves instances in which a *pro rata* allocation would result in an Account being allocated fewer than ten shares (or other applicable minimum board lot or, for fixed income offerings, minimum denomination). Under this scenario, the Account will receive the full board lot or minimum denomination if a *pro rata* allocation would have resulted in the Account receiving 6 to 9 shares or at least 50% of the minimum denomination through a *pro rata* allocation; the Account will receive no allocation if a *pro rata* allocation would have resulted in the Account receiving fewer than six shares or less than half of the minimum denomination. Another circumstance that can arise is that excess shares become available to MFSI to allocate among Accounts because the portfolio manager of a participating Account may not want to purchase all of the shares to which the Account was entitled. Under this scenario, the additional shares may be allocated to other participating Accounts. Still other circumstances can arise; (1) where necessary to allow for reasonable rounding of allocations; and (2) as otherwise determined by MFSI to be appropriate and equitable to client accounts. The guidelines also prohibit allocations of Equity Limited Offerings or Fixed Income Limited Offerings to: (1) PPM accounts advised by a member of the MFS Global Group; or (2) any Account for which MFS does not believe that applicable law or the rules or regulations of any governmental or self-regulatory organization would permit such investments.

Additionally, the MFS Global Group generally limits aggregate ownership by all Accounts that the MFS Global Group manages to a percentage of a single issuer's outstanding common equity. When the maximum level has been reached on an aggregate basis, portfolio managers are not permitted to acquire additional shares (absent the prior approval of senior management), until aggregate ownership by all Accounts falls below the maximum level. Consequently, Accounts may be unable to acquire certain investments in which the portfolio manager might wish to invest.

To the extent that an IPO is a “new issue”, as defined in relevant rules established by the Financial Industry Regulatory Authority (“FINRA”), and is being made available to MFSI by a FINRA member, MFSI intends to allocate such investments as described herein and consistently with FINRA Rule 5130 and FINRA Rule 5131, which provides that brokers, their affiliates and certain other “restricted persons” may not be able to participate in new issues, or may be limited as to the extent of their participation. Only accounts that MFSI does not believe are ineligible under Rule 5130 and Rule 5131 to participate in profits and losses attributable to new issues will be permitted to receive allocations of new issues.

Aggregation and Execution of Trades

MFSI may aggregate similar trades (*e.g.*, buy orders for the same security) or “cross” opposing trades (*e.g.*, a buy order and a sell order for the same security). Consistent both with Section 206 of the Advisers Act and Rule 17a-7 under the Investment Company Act of 1940, as amended (the “1940 Act”), MFSI has adopted procedures regarding purchases or sales of securities between eligible accounts managed by MFSI, or purchases or sales of securities between an account managed by MFSI and one managed by MFS. Such procedures include the following provisions:

- The transaction will be a purchase or a sale, for no consideration other than a cash payment against prompt delivery of a security for which market quotations are readily available;
- The transaction will be consistent with the investment objectives, policies and restrictions of each party to the transaction;
- Except for customary transfer fees, no brokerage commission, fee or other remuneration will be paid in connection with the transaction.

The transaction will be effected at the then current market price of the security.

However, due to differences in Canadian law and Canadian market practice regarding transactions between or among an adviser's discretionary accounts, MFSI has imposed a blanket prohibition on cross transactions between an MFS Fund and another account if MBL is exercising investment discretion with respect to the security that would otherwise be crossed.

MFSI has also adopted the following general guidelines regarding the combination of orders for execution. Such combined trades may be used to facilitate best execution, including negotiating more favorable prices, obtaining more timely or equitable execution or reducing overall commission charges. Orders for Proprietary Accounts (other than New MFS Funds or MFS Pilot Funds) will be effected after client orders are completed.

Orders for the same security will be executed in the order received. If multiple orders for the same security are received at the same time, in the trader’s discretion, such orders will be executed in combination, simultaneously or in an equitable rotation. If a portfolio manager of the MFS Global Group places an order and the trader executes and confirms the order before any additional orders are placed for other Accounts, the original order will not be combined with any subsequent orders. If an order

remains open and an additional order or orders for the same investment for other Accounts are received by MFS Global Group's trading department, in the trader's discretion, such orders will be executed in combination, simultaneously or in an equitable rotation. If a portfolio manager's order is open in part at the time an additional order or orders for the same security are received by the MFS Global Group's trading department, the portion of the initial order that has been executed will be split off as a separate trade and allocated in accordance with the MFS Global Group's applicable trade allocation policies, and the remaining balance of the order will be executed with the new orders. Allocations of the executions of such aggregated orders are generally made in proportion to the orders and otherwise made in accordance with the MFS Global Group's applicable trade allocation policies. When two or more client Accounts have orders to purchase or sell the same secondary market investment and the orders are combined, the investments or the proceeds of sale, as applicable, as well as any attendant costs, are generally allocated among Accounts *pro rata* based on the amount of each client Account's order. The MFS Global Group may use reasonable procedures to allocate commissions arising from aggregated trades on a fair and equitable basis.

In certain circumstances, such as a buy in for failure to deliver, MFSI is not able to select the broker who will transact to cover the failure. For example, if an account sells a security short and is unable to deliver the securities sold short the broker through whom the account sold short must deliver securities purchased for cash, i.e., effect a "buy in," unless it knows that the account either is in the process of forwarding the securities to the broker or will do so as soon as possible without undue inconvenience or expense. Similarly, there can also be a failure to deliver in a long transaction and a resulting buy in by the broker through whom the securities were sold. If the broker effects a buy-in, MFSI will be unable to control the trading techniques, methods, venues or any other aspect of the trade used by the broker.

If MFSI does not believe that it is permitted to execute portfolio trades with certain brokers or otherwise by reason of an affiliation of the client with the broker, or if the client has directed its brokerage to a particular broker (other than the one through which the aggregated trade is to be executed), such trades may be segregated from other client trades through such brokers. The practice of clients instructing MFSI to direct brokerage transactions for their accounts to a broker or brokers selected by the client is sometimes referred to as "directed brokerage". Certain mutual fund and other institutional clients may enter into arrangements (so-called "commission recapture" arrangements) with certain brokerage firms that provide for the fund or other institutional client, as the case may be, to receive a credit for part of the brokerage commission paid by the fund or the other institutional client, which is applied against expenses of the fund or other institutional client's account. Where a client directs MFSI to execute through particular brokers in connection with such commission recapture arrangements, MFSI negotiates commission rates on transactions executed through such brokers, while the client negotiates the portion of the commission paid to the broker for execution of trades for the client's account versus the portion of the commission recaptured by such client. Where a client directs MFSI to execute through particular brokers, MFSI does not evaluate the brokerage services provided to the client. Any benefits derived from directed brokerage and commission recapture arrangements will inure to the benefit of the client whose transactions created the benefits.

Clients also should understand that directing brokerage for execution limits or removes MFSI's discretion to select brokers to execute client transactions. Additionally, trades for clients who direct brokerage for execution or for clients who are prohibited from utilizing a broker-dealer selected by MFSI for executing other clients' orders for the same security generally will not be combined with, and generally will be placed after, orders for the same securities for other client accounts managed by MFSI. Accordingly, directed transactions and transactions not aggregated with other client transactions by reason of an affiliation of the client with the relevant broker-dealer may be subject to price movements, particularly in volatile markets, that may result in the client receiving a price that is less favorable than the price obtained for the aggregated order. Under these circumstances, even if the client has not waived MFSI's duty to seek best execution, the direction by a client of a particular broker to execute transactions or the need to use a different broker-dealer to execute a client's order by virtue of an affiliation between the client and the broker-dealer may result in higher commissions, greater spreads or less favorable prices than might be the case if MFSI could negotiate commission rates or spreads freely, or select executing brokers or dealers based on best execution.

Depending on the nature of the direction, MFSI may instead use "step-outs" to allow such clients to participate in aggregated trades. In step-out transactions, MFSI instructs the broker that executes a transaction to allocate, or "step out", a portion of such transaction to the broker to which the client has directed trades. The brokers to which the Executing Broker has "stepped out" would then clear and settle the designated portion of the transaction, and the Executing Broker would clear and settle the remaining portion of the transaction that has not been "stepped out". Each broker may receive a commission or brokerage fee with respect to the portion of the transaction that it clears and settles.

Likewise, if MFSI, at the instruction of a client, utilizes a derivatives agreement entered into between the client and a particular counterparty instead of entering into an agreement with a derivatives counterparty that MFSI selects, MFSI may be unable to control the terms or conditions of any transaction entered into under the client's agreement, and the pricing and other economic terms may be less beneficial to the client than those for a similar transaction entered into under a derivatives agreement with a counterparty selected by MFSI.

If an order for PPM Accounts for the same security is on behalf of clients of more than one program sponsor and MFSI believes that one or more of those program sponsors is not permitted to transact with the broker chosen by the trader, for reasons of affiliation or otherwise, then such PPM orders may be executed with a different broker at the same time as the other PPM orders are being executed or by participating in an equitable rotation with the other PPM Accounts, as determined in the trader's discretion.

Short sale orders and orders to purchase to cover short sales ("Short Sale Orders") typically will not be combined with regular-way sales and purchase orders, and Short Sale Orders for Proprietary Accounts, other than for New MFS Funds or MFS Pilot Funds, will normally be effected after regular-way sales and regular-way purchases, respectively, for client Accounts. If a Short Sale Order is received while regular-way orders are being executed for the same security or a regular-way order is received while a Short

Sale Order is being executed for the same security, the Short Sale Order may be executed either at the same time as the regular-way orders are being executed or by participating in an equitable rotation with the regular-way orders, as determined in the trader's discretion. Currency derivative orders for Proprietary Accounts (other than New MFS Funds or MFS Pilot Funds) cannot be executed until after all such orders for client Accounts have been executed.

Clients of MFSI may choose to have foreign currency (FX) transactions effected either through their custodian or through MFSI. Where MFSI has been given authority to effect FX trades for a client, MFSI follows a standard process to effect such transactions. Each client's portfolio will be set on MFS' trading system with a single operating currency (which may not be the same as the reporting currency of the account). Client account trades and flows that occur in currencies other than the operating currency will be converted to the operating currency by processing an FX transaction. MFSI will direct the client's custodian bank to execute FX transactions related to foreign income and dividend repatriation and will direct the custodian bank to repatriate all income to the operating currency of the account unless directed otherwise by the client. MFSI is permitted to execute FX transactions for a client account with brokers MFSI selects at its discretion for currency management purposes unless directed otherwise by the client. Transactions for accounts with similar currency needs will be aggregated based on the currencies involved as well as matching trade and settlement date requirements. In situations where MFSI encounters offsetting currency needs for accounts at approximately the same time, and where the other details of the needs match, net transactions will be executed. In such cases, the participating accounts must be eligible for netting transactions (i.e., depending on an account's particular restrictions, including, for example, any directed brokerage or custodian bank requirements, an account may or may not be eligible to participate in netting transactions). MFSI recognizes that FX transactions may positively or negatively affect trades and does not seek to make currency bets on client accounts it manages. Where a client directs MFSI to use the client's custodian bank to repatriate foreign currency in the client's account, the client generally negotiates the foreign exchange rates on transactions executed through such custodian, and MFSI generally does not evaluate the repatriation services provided to the client; however, on a daily basis, MFSI reviews the foreign exchange rates received by the client's account versus the daily quoted trading range sourced from a third party vendor for the specific currency pair to ensure that the rates received by the client's account with respect to the transactions do not exceed these ranges or the thresholds set for the client's custodian bank. MFSI will address any issues resulting from such daily transaction reviews with the applicable custodian bank. MFSI will also direct the client's custodian bank to process FX transactions related to securities transactions and income and dividend repatriations for transactions in countries that restrict transactions in their currency due to regulatory or foreign exchange controls (i.e., so-called "restricted markets"). MFSI will provide the client's custodian bank with FX instructions for all security settlements in such restricted markets on a trade by trade basis, which instructions are in turn sent by the custodian bank to its trading desk or local sub-custodian for execution.

Order Aggregation and Allocation for PPM Accounts

For PPM Accounts, MFSI generally has discretion with respect to the timing of the release of orders. If a PPM purchase or sale order is received while orders for other clients are being executed for the same security, the PPM purchase or sale order may be executed either at the same time as the other orders are being executed or by participating in an equitable rotation with the other clients' orders, as determined in the trader's discretion. If a trader elects to trade PPM Accounts and other Accounts' orders in rotation, the trader may further elect to execute all PPM orders attributable to all program sponsors in combination or successively in an equitable rotation among program sponsors, as determined in the trader's discretion. In the event that MFSI is participating in several PPM programs, it may rotate orders among the sponsoring and other executing brokers, consistent with the objective of treating all participant accounts fairly and equitably on a long-term basis.

In some PPM programs, it is the sponsor's responsibility to allocate trades among the programs' accounts. Allocations made by MFSI to these programs are further allocated to participants' accounts pursuant to the applicable sponsor's allocation policies and not those of MFSI. In the case of UMA programs, MFSI will generally provide portfolio models to sponsors at substantially the same time that trading for similarly managed Accounts is released to MFS' trading desk. UMA sponsors are authorized to perform maintenance trades (as described under the caption "PPM Account Brokerage", above) for portfolio securities in accordance with MFSI's models at such time they are provided to them.

Orders for PPM Accounts are not generally combined with other orders for institutional or registered investment company Accounts for which MFSI or MFS serves as the investment adviser. Rather, as noted above, orders for PPM Accounts are generally either executed simultaneously with, or in an equitable rotation with, other orders for such institutional or registered investment company Accounts, in the trader's discretion. However, a single order for non-U.S. ordinary shares may be transmitted to a dealer with instructions to purchase (sell) a certain percentage of the—shares to be created into (collapsed from) ADRs, which percentage is allocated to PPM Accounts, and to purchase (sell) the remaining percentage of the shares for allocation to the registered investment companies and institutional accounts. Trading on behalf of PPM Accounts generally occurs once or twice a week to maintain the appropriate weightings of securities for the investment style selected by a PPM Account participant. Generally, smaller aggregate trade orders among PPM Accounts are executed on an electronic order entry system while larger aggregate trade orders among PPM Accounts are placed with sponsors or other brokers. Typically, transactions for PPM programs involve substantially greater numbers of Accounts than transactions for Institutional or registered investment company Accounts and therefore require the use of specialized trading systems to determine the quantity of investments being purchased or sold by each Account and to record and confirm each transaction at the individual Account level.

Item 13 – Review of Accounts

Client portfolios are managed day-to-day by employees of MFSI appointed and supervised by senior employees of MFS or MFSI. MFSI conducts reviews of client accounts based on the nature of such accounts. Reviews may include ongoing regular or periodic reviews as well as reviews on a more frequent basis as needed, depending on a specific client's mandate, economic conditions and changes in the general market. Quarterly risk reviews are conducted both by management and investment personnel, including both the Chief Investment Officer and the Chief Risk Officer of MFS.

Periodic reports (oral, written, or both) are provided to clients from time to time in a form mutually agreed with MFSI. MFSI typically provides clients with both quarterly and monthly written reports. Quarterly reports include market and portfolio commentary, performance and attribution, market value, portfolio holdings and transaction detail in addition to information on corporate actions. Monthly reports are more concise and include performance, market value and portfolio characteristics. In addition, as agreed with MFSI, customized reporting is available. Written reports are delivered via e-mail and also can be retrieved directly and securely by clients from MFSI's website. MFSI also typically provides a similar range of information orally to clients through in-person meetings, conference calls, webinars and client conferences.

Reports may also be sent by a third-party service provider on behalf of MFSI.

Annual audited financial statements are prepared for each private fund managed by MFSI, and the fund and its investors receive copies of such statements.

Item 14 – Client Referrals and Other Compensation

Many of MFSI's clients retain investment consultants to assist with the selection of investment managers, including MFSI, to invest the client's assets with investment managers. Typically, such investment consultants are compensated by the clients, not MFSI. However, MFSI may have its own relationship with the same and different investment consultants in connection with services provided by the consultants to MFSI, including, without limitation, competitive universe databases, manager performance analytics, investment forums, and business or product consulting engagements. MFSI pays such consultants for these services. MFSI believes that the payments it makes to such consultants are fair in relation to the services purchased and not compensation for such consultants' recommendations of MFSI's services or products to the clients of the consultants. In addition, MFSI provides money management services to certain investment consultants who may choose to recommend MFS Global Group services or products to one or more of their clients. MFSI seeks to maintain arm's-length relationships when receiving or providing services to investment consultants.

MFSI does not currently intend to pay third party agents or other entities for the purpose of soliciting or introducing it to new US mandates for which it provides investment management services directly to the client. In the event MFSI does enter into such arrangements in the future, it intends to comply with the disclosure and other requirements applicable to such relationships under applicable laws and regulations, which include providing disclosure to clients who have been solicited by a person to whom MFSI pays a fee. With respect to its business outside of the United States, MFSI has in the past and may from time to time in the future use local companies in certain jurisdictions to assist it in obtaining mandates for a fee. To the extent SEC client disclosure rules and other requirements are applicable to such arrangements, MFSI will comply with such requirements.

Item 15 – Custody

MFSI may be deemed to have custody of advisory client cash or bank accounts and securities to the extent they are invested in certain private funds structured as limited liability companies for which it serves as sole member. Investors in such private funds receive account statements from the funds' custodian, rather than MFSI or one of its affiliates, and should carefully review such statements. To the extent that a client has instructed MFSI to automatically deduct advisory fees from the client's account, MFSI may be deemed to have custody of such client accounts. Such clients will receive account statements from both MFSI and their custodian. Clients are urged to review and compare such statements carefully. In addition, MFSI may be deemed to have custody of advisory client cash or bank accounts and securities to the extent they are attributable to certain foreign investment companies to which it provides investment advisory services.

Item 16 – Investment Discretion

Generally, MFSI is retained on a discretionary basis and authorized to make the following determinations in accordance with clients' specified investment objectives without client consultation or consent before a transaction is effected:

- which securities to buy or sell;
- the total amount of securities to buy or sell;
- the broker or dealer through which securities are bought or sold;
- the commission rates at which securities transactions will be effected; and
- the prices at which securities are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs.

Before assuming discretionary authority, MFSI requires a client to enter into a written investment management agreement with MFSI. Any limitations on MFSI's discretion in the case of a particular client will be agreed in advance and set forth in the investment management agreement between MFSI and such client.

In addition, the IMC of MFS (as defined in Item 12, *Brokerage Practices*), which is comprised of members of senior management and representatives of the equity and fixed income departments, meets on a regular basis to establish and monitor investment policies and procedures. These policies and procedures govern, among other things, the exercise of MFSI's discretionary authority. The IMC also provides ongoing oversight of investment personnel, portfolio management, research and trading.

Item 17 – Voting Client Securities

MFSI has adopted proxy voting policies and procedures with respect to securities owned by the clients for which it serves as investment adviser and has the power to vote proxies. MFSI's policy is that proxy voting decisions are made in what it believes at the time to be the best long-term economic interests of its clients and not in the interest of any other party or in MFSI's own corporate interests, including its institutional relationships or the distribution of MFS Fund shares.

MFSI also generally votes consistently on the same matter when securities of an issuer are held by multiple client accounts, unless MFSI has received explicit voting instructions from a client to vote differently on behalf of its account. From time to time, MFSI may also receive comments on the MFSI proxy voting policies and procedures from its clients. These comments are carefully considered by the MFS Proxy Voting Committee, who is responsible for reviewing these guidelines and revising them as appropriate.

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

Please refer to the proxy voting section of www.mfs.com for the complete version of our proxy voting policies. MFSI will also furnish a copy of its proxy voting policies and procedures to any client upon such client's request. A client can additionally request at any time a record of all votes cast for its account. The record reflects the proxy issues that MFSI voted for the client during the past year, as well as the position taken with respect to each issue, and identifies any situations in which MFSI may not have voted in accordance with specific guidelines of its proxy voting policies and procedures.

Item 18 – Financial Information

MFSI is not required to provide a balance sheet for its most recent fiscal year, as it does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

MFSI is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients.

Appendix I

FACTS

WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?



Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and account balances
- Account transactions and transaction history
- Checking account information and wire transfer instructions

When you are *no longer* our customer, we continue to share your information as described in this notice.

How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MFS chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does MFS share?	Can you limit this sharing?
For our everyday business purposes —such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes —to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes —information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes —information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?

Call 800-225-2606 or go to [mfs.com](https://www.mfs.com).

Who we are

Who is providing this notice?	MFS Funds, MFS Investment Management, MFS Institutional Advisors, Inc., MFS Fund Distributors, Inc., MFS Heritage Trust Company, and MFS Service Center, Inc.
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What we do

How does MFS protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include procedural, electronic, and physical safeguards for the protection of the personal information we collect about you.
How does MFS collect my personal information?	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> ▪ open an account or provide account information ▪ direct us to buy securities or direct us to sell your securities ▪ make a wire transfer <p>We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.</p>
Why can't I limit all sharing?	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> ▪ sharing for affiliates' everyday business purposes—information about your creditworthiness ▪ affiliates from using your information to market to you ▪ sharing for nonaffiliates to market to you <p>State laws and individual companies may give you additional rights to limit sharing.</p>

Definitions

Affiliates	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> ▪ <i>MFS does not share personal information with affiliates, except for everyday business purposes as described on page one of this notice.</i>
Nonaffiliates	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> ▪ <i>MFS does not share with nonaffiliates so they can market to you.</i>
Joint marketing	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> ▪ <i>MFS doesn't jointly market.</i>

Other important information

If you own an MFS product or receive an MFS service in the name of a third party such as a bank or broker-dealer, their privacy policy may apply to you instead of ours.