



## Massachusetts Financial Services Company

# FIRM BROCHURE

June 15, 2016

This brochure provides information about the qualifications and business practices of Massachusetts Financial Services Company ("MFS"). If you have any questions about the contents of the brochure, please contact us at +1.877.960.6077 or [institutionalclientservice@mfs.com](mailto: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 MFS® is registered with the SEC as an investment adviser, such registration does not imply any level of skill or training.

Additional information about MFS is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a using unique identifying number, known as a CRD number. The CRD number for MFS is 110045.

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

## ***Item 2 – Material Changes***

This brochure differs from MFS' annual brochure update filed on March 31, 2015 in the following material respect:

- The discussion entitled "Operating Currency Related Transactions" located in the *Brokerage Practices* section (Item 12) has been updated to reflect that MFS will not consider accounts subject to ERISA to be eligible to participate in net foreign exchange transactions with other client accounts that have offsetting currency needs at approximately the same time.

## *About this Brochure*

*This brochure is not:*

- *an offer or agreement to provide advisory services to any person*
- *an offer to sell interests (or a solicitation of an offer to purchase interests) in any vehicle*
- *a complete discussion of the features, risks or conflicts associated with any portfolio or vehicle*

*As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), MFS will provide this brochure to current clients of MFS. Although this publicly available brochure describes investment advisory services and products of MFS, persons who receive this brochure (whether or not from MFS) should be aware that it is designed solely to provide information about MFS as necessary to respond to certain disclosure obligations under the Advisers Act.*

### ***Item 3 –Table of Contents***

<i>Item 1 – Cover Page .....</i>	<i>i</i>
<i>Item 2 – Material Changes.....</i>	<i>ii</i>
<i>Item 3 –Table of Contents.....</i>	<i>iv</i>
<i>Item 4 – Advisory Business.....</i>	<i>1</i>
<i>Item 5 – Fees and Compensation .....</i>	<i>3</i>
<i>Item 6 – Performance Based Fees and Side by Side Management .....</i>	<i>6</i>
<i>Item 7 – Types of Clients .....</i>	<i>8</i>
<i>Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....</i>	<i>9</i>
<i>Item 9 – Disciplinary Information.....</i>	<i>24</i>
<i>Item 10 – Other Financial Industry Activities and Affiliations.....</i>	<i>25</i>
<i>Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</i>	<i>28</i>
<i>Item 12 – Brokerage Practices .....</i>	<i>32</i>
<i>Item 13 – Review of Accounts .....</i>	<i>47</i>
<i>Item 14 – Client Referrals and Other Compensation .....</i>	<i>48</i>
<i>Item 15 – Custody .....</i>	<i>49</i>
<i>Item 16 – Investment Discretion .....</i>	<i>50</i>
<i>Item 17 – Voting Client Securities .....</i>	<i>51</i>
<i>Item 18 – Financial Information.....</i>	<i>52</i>
<i>Privacy Policy.....</i>	<i>53</i>

## *Item 4 – Advisory Business*

Massachusetts Financial Services Company, d/b/a MFS Investment Management ("MFS"), is 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 U.S. mutual fund. MFS is an indirect, majority owned subsidiary of Sun Life Financial Inc. ("SLF"), a diversified financial services company. As of December 31, 2015, MFS managed approximately \$290 billion in discretionary client assets. The MFS Global Group managed approximately \$407 billion as of December 31, 2015.

MFS provides investment advisory services to a range of institutional clients and pooled investment vehicles. MFS institutional clients include pension and profit sharing plans, charitable organizations, sovereign wealth funds, U.S. registered investment companies, other investment advisers and other pooled investment vehicles. Clients may impose restrictions on investing in certain securities or derivatives or types of securities. In addition, MFS provides investment advisory services to a family of registered investment companies (the "MFS Funds") and foreign investment companies. MFS also provides sub-advisory services to registered investment companies for which a party other than MFS serves as the primary investment adviser, foreign investment companies and certain private funds.

MFS primarily manages long-only investment strategies. To a lesser extent, the MFS Global Group also manages some strategies that may employ both long and short positions as a principal strategy and/or manage exposure to asset classes, markets, and currencies, primarily through the use of derivatives.

MFS has signed the Principles for Responsible Investment ("PRI") for itself and its subsidiaries. As a signatory to the PRI, where consistent with its fiduciary responsibilities, MFS 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 it invests. MFS also seeks to promote acceptance and implementation of the PRI within the investment industry and reports on progress in the effectiveness of such implementation. While MFS follows the PRI where consistent with its fiduciary responsibilities, signing the PRI is not a legally binding commitment to do so, and MFS may either take actions inconsistent with the PRI or fail to take such actions as would be consistent with the PRI if, in MFS' judgment, it is in the best economic interests of its clients to do so. As such, MFS 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 MFS' proxy voting practices.

All discussions of MFS' 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 portfolio, including without limitation, all practices pertaining to the portfolio's investments, strategies used in managing the portfolio, investment risks, fees and other costs associated with an investment in the portfolio, and conflicts of interest faced by MFS and its affiliates in connection with the management of the portfolio.

## ***Item 5 – Fees and Compensation***

MFS may, from time to time, provide investment advisory services to institutional separate account clients (“Institutional Portfolios”). MFS’ investment advisory fees for Institutional Portfolios are generally based upon a percentage of assets under management and are negotiable. The percentage typically depends upon the type of investment mandate. MFS reserves the right, in its sole discretion, to negotiate and charge different types or rates of advisory fees for different portfolios. Advisory fees may vary due to, among other things, the inception date of a client’s portfolio, the initial or potential size of the portfolio, the entirety of the client’s and its affiliates’ (if any) relationship with the members of the MFS Global Group, the client’s domicile, and portfolio-specific requirements such as non-standard reporting obligations and compliance with laws not generally applicable to MFS’ activities. Accordingly, MFS may charge a higher or lower fee than the standard fees set forth below. MFS may manage a group of related portfolios for a client and may agree to aggregate assets in all related client portfolios for purposes of attaining fee breakpoints under any applicable fee schedule. MFS’ representative fee schedule for different mandates for Institutional Portfolios is as follows:

<b><u>Type of Mandate</u></b>	<b><u>Standard Investment Advisory Fee</u></b>
Blended Research US Core Equity, Blended Research Large Cap Growth Equity, and Blended Research Large Cap Value Equity	0.30% to 0.20% of average month end assets
Core Fixed Income	0.30% to 0.20% of average month end assets
Blended Research Global Equity	0.35% to 0.25% of average month end assets
Mid Cap Growth Equity and Mid Cap Value Equity	0.75% to 0.50% of average month end assets
Global Equity, Global Growth, Global Value and Global Research	0.75% to 0.50% of average month end assets
International Equity	0.85% to 0.65% of average month end assets
International Concentrated Equity or Global Concentrated Equity	0.85% to 0.55% of average month end assets
International Growth, International Research and International Value	0.75% to 0.50% of average month end assets
Research Equity, Large Cap Value and Core Equity	0.55% to 0.40% of average month end assets
Large Cap Growth and Growth Equity	0.60% to 0.45% of average month end assets
Utilities	0.65% to 0.35% of average month end assets

Low Volatility Global Equity	0.40% to 0.30% of average month end assets
International Small Cap Equity	0.95% to 0.75% of average month end assets
Emerging Markets Equity	0.95% to 0.80% of average month end assets
Asia Pacific ex Japan	0.75% to 0.65% of average month end assets
Latin American Equity	1.00% to 0.80% of average month end assets
Japan Equity	0.65% to 0.50% of average month end assets
Technology Equity	0.75% to 0.65% of average month end assets
Small Cap Growth Equity	0.90% to 0.70% of average month end assets
Global Credit	0.35% to 0.25% of average month end assets
US Core High Yield	0.45% to 0.35% of average month end assets
Global High Yield	0.50% to 0.40% of average month end assets
Core Plus Fixed Income and US Credit	0.35% to 0.20% of average month end assets
US Corporate BB Fixed Income	0.30% to 0.20% of average month end assets
Municipal Fixed Income	0.35% to 0.20% of average month end assets
Limited Maturity Fixed Income	0.25% to 0.175% of average month end assets
Emerging Market Debt and Emerging Market Debt Local Currency	0.60% to 0.45% of average month end assets
Domestic Balanced	0.55% to 0.30% of average month end assets
Global Balanced	0.60% to 0.30% of average month end assets
Opportunistic Fixed Income	0.45% to 0.25% of average month end assets
Global Aggregate Core and Global Aggregate Core Plus	0.35% to 0.25% of average month end assets
Global Aggregate Opportunistic	0.40% to 0.30% of average month end assets
European Research Equity, European Value and European Equity	0.70% to 0.50% 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, MFS may also automatically deduct fees from a client's custodial account and will remind such clients to



compare their MFS account statements with their periodic custodial statements. See Item 15, *Custody*, for more information.

MFS may purchase on behalf of an Institutional Portfolio shares of any of the MFS Funds. In such cases, the client receives a credit to its portfolio 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 MFS' services are terminated, its management fees are pro-rated to the extent that its services have been provided for less than the full quarter (or other billing period).

Institutional clients typically bear certain expenses in addition to investment advisory fees, including custodial fees, brokerage and transaction costs (please see Item 12, *Brokerage Practices* for more information), taxes, out-of-pocket costs for Employee Retirement Income Security Act of 1974, as amended ("ERISA")-mandated fidelity bonds (if applicable), fees for plan administrator/trustee-directed special projects or reports, preparing financial statements and providing audit support, preparing tax-related schedules and documents or investor relations. MFS 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 MFS. In addition, when institutional client assets are invested in an MFS Fund or in an exchange-traded fund ("ETF"), 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. Assets invested in non-MFS Funds or other non-MFS commingled or pooled investment vehicles (including ETFs) are included in calculating the value of the portfolio 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 MFS 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, the client receives a credit to its portfolio 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 as discussed above.

## ***Item 6 – Performance Based Fees and Side by Side Management***

While MFS charges asset-based fees, other members of the MFS Global Group may charge both asset-based fees and performance-based fees. Performance-based fees have the potential to cause a conflict of interest by creating an incentive to favor portfolios charged such fees over portfolios charged only asset-based fees in order to generate greater management fees. The MFS Global Group's allocation policies (see Item 12, *Brokerage Practices*, below) address such potential conflicts of interest by prohibiting the MFS Global Group from unfairly favoring one type of portfolio over another. These policies, which apply equally to portfolios 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 portfolios to be made on a *pro rata*, simultaneous or equitable rotation basis, as described in Item 12, *Brokerage Practices*, below. Performance-based fees may present an incentive to take additional risk with regard to a portfolio's investments.

MFS generally does not price securities or other assets for purposes of determining fees. However, to the extent permitted by applicable laws, including ERISA, MFS or an affiliate may be charged with the responsibility of, or have a role in, determining asset values with respect to MFS products or portfolios from time to time and MFS, or such an affiliate, may be required to price a portfolio holding when a market price is not readily available or when MFS has reason to believe that the market price is unreliable. When pricing a security, MFS attempts, in good faith and in accordance with applicable laws, to determine the fair value of the security or other assets in question. MFS generally relies on prices provided by a custodian, a broker-dealer or another third-party pricing service for valuation purposes. When market quotations are not readily available or are believed by MFS to be unreliable, the security or other assets are valued by MFS in accordance with MFS' valuation procedures. With respect to MFS products or accounts which invest in privately placed pooled investment vehicles managed by third-parties and/or investments sponsored by such third-party managers, MFS generally relies on pricing information provided by the private fund or its manager or other service provider. While MFS expects that such persons will provide appropriate valuations, such persons may face conflicts similar to those described above and certain investments may be complex or difficult to value. MFS may also perform its own valuation analysis, but generally will not independently assess the accuracy of such valuations.

When market quotations or other asset valuations are not readily available or are believed by MFS to be unreliable, a client's investments may be valued at fair value ("Fair Value Assets"). Fair Value Assets are valued by MFS in accordance with MFS' valuation procedures or, when held in a MFS-sponsored registered investment company, in accordance with valuation and liquidity procedures approved by the investment company's board of directors/trustees. MFS may conclude that a market quotation is not readily available or is unreliable: (i) if a security or other asset does not have a price source due to its lack of liquidity; (ii) if MFS believes a market quotation from a broker-dealer or other source is unreliable (e.g., where it varies significantly from a recent trade); (iii) where the security or other asset is thinly

traded (e.g., municipal securities and certain non-US securities can be expected to be thinly traded); (iv) where recent asset sales represent distressed sale prices not reflective of the price that a client might reasonably expect to receive from the current sale of that asset in an arm's-length transaction; or (v) where there is a significant material event subsequent to the most recent market quotation. MFS' good faith judgment as to whether an event would constitute a "significant event" likely to cause a material change in an asset's market price may, in hindsight, prove to be incorrect, and the fair value determination made by MFS may be incorrect as to the direction and magnitude of any price adjustment when compared to the next available market price. In circumstances where MFS typically relies on a valuation provided by a third-party, if the third-party fails to provide a valuation, or if MFS believes such valuation is not representative of fair value, MFS will determine fair value in good faith in accordance with its valuation policies and procedures.

## *Item 7 – Types of Clients*

MFS provides investment advisory services to a range of institutional clients and pooled investment vehicles. MFS institutional clients include pension and profit sharing plans, charitable organizations, sovereign wealth funds, U.S. registered investment companies, other investment advisers, and other pooled investment vehicles. MFS provides investment advisory services to the MFS Funds and provides sub-advisory services to registered investment companies for which a party other than MFS serves as the primary investment adviser, foreign investment companies and certain private funds. MFS generally requires a minimum portfolio size, which varies by product type. The typical minimum portfolio size for an Institutional Portfolio is \$50 million of assets. Client relationships are governed by investment advisory agreements that set forth the terms under which MFS will provide its services. MFS may accept a portfolio below the relevant minimum in its discretion when, for example, it seeks to promote a new mandate or a client with multiple portfolios above the required minimum may be allowed to open another portfolio below the minimum portfolio size. MFS, in its sole discretion, reserves the right to decline any portfolio and reserves the right to close any portfolio that falls below the minimum portfolio size or for any other reason.

MFS provides investment advisory services to certain funds that are not registered as investment companies under the Investment Company Act of 1940, as amended (the "1940 Act") pursuant to the exception contained in Section 3(c)(7) of the 1940 Act. Investment in such funds is generally restricted to persons who are both "accredited investors" as defined in Regulation D under the Securities Act of 1933 and "qualified purchasers" as defined by Section 2(a)(51) of the 1940 Act and rules promulgated thereunder.

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

MFS employs a variety of methods to evaluate securities, including fundamental analysis and quantitative analysis. Fundamental analysis focuses on individual issuers and their potential in light of their financial condition and market, economic, political, and regulatory conditions. Factors considered may include analysis of an issuer's earnings, cash flows, competitive position, and management ability. Quantitative analysis focuses on quantitative models that systematically evaluate an issuer's valuation, price and earnings momentum, earnings quality, and other factors. MFS 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.

MFS may, from time to time, utilize advice or research provided by MFS International (U.K.) Limited ("MIL UK"), MFS Investment Management Company (Lux) S.à r.l. ("MFS Lux"), MFS Investment Management K.K. ("MIMKK"), MFS Investment Management Canada Limited ("MFS Canada"), MFS International Singapore Pte. Ltd. ("MFSI Singapore"), and MFS International (Hong Kong) Limited ("MIL HK" and, together with MIL UK, MFS Lux, MIMKK, MFS Canada and MFSI Singapore, 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 an amended and restated written memorandum of understanding by and among MFS, its wholly-owned subsidiary MFS Institutional Advisors, Inc. ("MFSI"), also an investment adviser registered with the SEC, and the Participating Affiliates (the "MOU"). Under the MOU, certain employees of each Participating Affiliate may serve as associated persons of MFS ("Participating Employees"). See Item 10, *Other Financial Industry Activities and Affiliations*, for more information on the Participating Affiliates.

MFS utilizes various investment techniques to implement its investment strategies, including, but not limited to, long- and short-term purchases, short sales, margin transactions, options, and exchange-traded and over-the-counter ("OTC") derivatives or other methods to seek to achieve performance. In addition, MFS 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 MFS may use derivatives for any investment purpose, MFS 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. MFS will execute only those derivative transactions (including swaps and security-based swaps and deliverable foreign exchange forwards and swaps) for which it has sufficient knowledge to evaluate the transaction and risks. The investment professionals responsible for the portfolio trading of a derivative will have appropriate knowledge and expertise.

Investments in the portfolios to which MFS provides advisory services are not insured or guaranteed and carry the risk of loss, which clients must be prepared to bear. Investment strategies may be limited to certain types of securities (e.g., equities) and may not be diversified. Investors and clients should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses. The funds and portfolios managed by MFS are not intended to provide a complete investment program and MFS expects that assets invested in a fund or portfolio it manages do not represent all of an investor's assets. Investors are responsible for appropriately diversifying their assets to guard against the risk of loss. MFS' 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 MFS 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 in addition to, and potentially greater than, the risks of the underlying indicator(s), including the risk that a counterparty to a derivative fails to perform. Certain standardized swaps are subject to mandatory clearing, and more are expected to be in the future. The counterparty risk for cleared derivatives is generally lower than for uncleared derivatives, but cleared contracts are not risk-free. Gains or losses from derivatives can be substantially greater than the derivatives' original cost and can sometimes be unlimited 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 portfolio will change daily based on changes in market, economic, industry, political, regulatory, geopolitical, and other considerations. A client portfolio may not achieve its objective and/or may lose value.

Set forth below is a general description of material risk factors for portfolios to which MFS 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. A risk factor may still be a material risk to a particular mandate even if it is not listed below as a principal risk of such mandate. Furthermore, 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) (collectively, "Offering Documents"), will contain a more complete description of the risk factors to which the vehicle is subject and the discussion below is qualified in its entirety by reference to the relevant Offering Document(s). Depending upon the specific investment guidelines and restrictions applicable to any particular client portfolio in any mandate, these risk factors may or may not be material to that specific portfolio.

#### Asia Pacific Risk

The economies of countries in the Asia Pacific region are in all stages of development. Many of the economies of countries in the Asia Pacific region are considered emerging market economies. Companies in the Asia Pacific region may be subject to risks such as nationalization or other forms of government interference, and/or can be heavily 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 can be characterized by significant fluctuations in inflation levels, 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 Australia and New Zealand economies are dependent on the economies of Asian countries and on the price and demand for agricultural products and natural resources.

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

#### Company-Specific Risk

Changes in the financial condition of a company or other issuer and changes in specific market, economic, industry, political, regulatory, geopolitical, and other conditions that affect a particular type of investment or 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.

This represents a principal risk for all mandates except the following: Core Fixed Income, Core Plus Fixed Income, US Credit, US Corporate BB Fixed Income, Municipal Fixed Income, Limited Maturity Fixed Income, Emerging Market Debt, Emerging Market Debt Local Currency, US Core High Yield, Global High Yield, Global Credit, Global Aggregate Core, Global Aggregate Core Plus and Global Aggregate Opportunistic.

#### Counterparty and Third Party Risk

Transactions involving a counterparty other than the issuer of the instrument, including clearing organizations, 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 or willingness to perform in accordance with the terms of the transaction.

#### 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, if the instrument's credit rating is downgraded by a credit rating agency, or based on other changes in the financial condition of the issuer or borrower. 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.

Below investment grade 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. Below investment grade quality debt instruments are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and principal. Below investment grade 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 below investment grade quality debt instruments can be less liquid, especially during periods of recession or general market decline.

The credit quality of, and the ability to pay principal and interest when due by, an issuer of a municipal instrument depends on the credit quality of the entity supporting the municipal instrument, how essential any services supported by the municipal instrument are, the sufficiency of any revenues or taxes that support the municipal instrument, and/or the willingness or ability of the appropriate government entity to approve any appropriations necessary to support the municipal instrument.

This represents a principal risk for the following mandates: Utilities, Domestic Balanced, Global Balanced, Core Fixed Income, Core Plus Fixed Income, US Credit, US Corporate BB Fixed Income, Emerging Market Debt, Emerging Market Debt Local Currency, US Core High Yield, Global High Yield, Global Credit, Global Aggregate Core, Global Aggregate Core Plus, Global Aggregate Opportunistic, Limited Maturity Fixed Income, Municipal Fixed Income, and Opportunistic Fixed Income.

#### 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 represents a principal risk for all mandates except the following: Large Cap Growth, Growth Equity, Research Equity, Core Equity, Large Cap Value, Blended Research US Core Equity, Blended Research Large Cap Growth Equity, Blended Research Large Cap Value Equity, Small Cap Growth Equity, Mid Cap Growth Equity, Mid Cap Value Equity, US Core High Yield, Municipal Fixed Income, Limited Maturity Fixed Income, Domestic Balanced, Core Fixed Income, Core Plus Fixed Income, US Credit, and US Corporate BB Fixed Income.



### Cybersecurity Risk

Portfolios managed by MFS may be exposed to cyber security risks through MFS, its affiliates, other third parties (such as broker-dealers or other financial intermediaries), as well as through MFS's service providers or service providers to the funds or portfolios MFS manages. With the increased use of technologies, such as the Internet and the dependence on computer systems to perform necessary business functions, firms are susceptible to operational and information security risks that could result in losses to a portfolio. Cyber incidents can result from deliberate attacks or unintentional events. Cyber-attacks include, but are not limited to, infection by computer viruses or other malicious software code, unauthorized access to the firm's digital systems through system-wide hacking or other means for the purpose of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on a firm's systems or Web sites rendering them unavailable. In addition, authorized persons could inadvertently or intentionally release confidential or proprietary information stored on a firm's systems.

Cyber security failures or breaches resulting from such firms or the issuers of securities in which the portfolio invests may negatively impact the value of the Fund's investments and cause disruptions and impact the firm's or a portfolio's operations, potentially resulting in financial losses, the inability of a portfolio to transact business and process transactions, the inability to calculate a portfolio's net asset value (if applicable), violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs. Portfolios that are pooled vehicles may incur incremental costs to prevent cyber incidents in the future which could negatively impact the pooled vehicle and its investors. While the MFS Global Group has established business continuity plans and risk management systems designed to prevent or reduce the impact of such cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been adequately identified. Furthermore, MFS cannot directly control any cyber security plans and systems put in place by other third parties including service providers, or by issuers in which portfolios managed by MFS may invest.

### Debt Market Risk

Debt markets can be volatile and can decline significantly in response to changes in, or investor perceptions of changes in, market, economic, industry, political, regulatory, geopolitical, and other conditions that affect a particular type of instrument, issuer, or borrower, and/or that affect the debt market generally. Certain events, such as market or economic developments, regulatory or government actions, natural disasters, terrorist attacks, war, and other geopolitical events can have a dramatic adverse effect on the debt market and may lead to periods of high volatility and reduced liquidity in the debt market.

This represents a principal risk for the following mandates: Utilities, Domestic Balanced, Global Balanced, Core Fixed Income, Core Plus Fixed Income, US Credit, US Corporate BB Fixed Income,

Emerging Market Debt, Emerging Market Debt Local Currency, US Core High Yield, Global High Yield, Global Credit, Global Aggregate Core, Global Aggregate Core Plus, Global Aggregate Opportunistic, Limited Maturity Fixed Income, Municipal Fixed Income, and Opportunistic Fixed Income.

#### Derivatives Risk

Derivatives can be highly volatile and involve risks in addition to, and potentially greater than, 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 a portfolio. If the value of a derivative does not change as expected relative to the value of the market or other indicator the derivative is intended to provide exposure to, the derivative may not have the effect intended. 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.

#### Emerging Markets Risk

Emerging markets investments 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, greater custody and operational risk, less developed legal, regulatory, and accounting systems, less trading volume, 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 represents a principal risk for all mandates except the following: Large Cap Growth, Growth Equity, Research Equity, Core Equity, Large Cap Value, Blended Research US Core Equity, Blended Research Large Cap Growth Equity, Blended Research Large Cap Value Equity, Small Cap Growth Equity, Mid Cap Growth Equity, Mid Cap Value Equity, Japan Equity, US Core High Yield, Municipal Fixed Income, Limited Maturity Fixed Income, Domestic Balanced, Core Fixed Income, Core Plus Fixed Income, US Credit, and US Corporate BB Fixed Income.

#### European Market Risk

In light of the fiscal conditions and concerns regarding sovereign risk of certain European countries, which could worsen and spread, and result in a break-up of the Eurozone and Euro currency, portfolios invested in the European region may be subject to an increased amount of volatility, liquidity, price, and foreign exchange risk. The performance of such portfolios could deteriorate significantly should reform and austerity measures by European governments to address the financial and economic problems not work, or if there are any adverse credit events in the European region (e.g. downgrade of the sovereign credit rating of a European country or a European financial institution), which may result in significant loss. 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, the deficit and budget issues of several EMU members and the uncertainty surrounding the Euro.

This represents a principal risk for the following mandates: European Equity, European Research Equity and European Value.

#### Foreign Risk

Investments in securities of foreign issuers, securities of companies with significant foreign exposure, and investments in foreign currencies can involve additional risks relating to market, economic, industry, political, regulatory, geopolitical, and other conditions. Political, social, and economic instability, U.S. and foreign government action such as the imposition of currency or capital controls, economic and trade sanctions or embargoes, or the expropriation or nationalization of assets in a particular country, can cause dramatic declines in certain or all securities with exposure to that country. Economies and financial markets are becoming more connected, which increases the likelihood that conditions in one country or region can adversely impact issuers in different countries or regions. 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. Changes in currency exchange rates can affect the U.S. dollar value of foreign currency investments and investments denominated in foreign currencies. Additional 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, industry, political, regulatory, geopolitical, and other conditions than the U.S. market.

This represents a principal risk for all mandates except the Municipal Fixed Income mandate.

#### Frequent Trading Risk

MFS may engage in active and frequent trading in pursuing a portfolio's principal investment strategies. Frequent trading increases transaction costs, which may reduce the portfolio's return. Frequent trading can also result in the realization of a higher percentage of short-term capital gains and a lower percentage of long-term capital gains as compared to a portfolio that trades less frequently. Because short-term capital gains are distributed as ordinary income, this would generally increase a non-tax exempt client's tax liability.

#### Geographic Focus Risk

A portfolio's performance will be closely tied to the market, currency, economic, political, regulatory, geopolitical and other conditions in the countries and regions in which the portfolio's assets are invested. These conditions include anticipated or actual government budget deficits or other financial difficulties, levels of inflation and unemployment, fiscal and monetary controls, and political and social

instability in such countries and regions. If a significant percentage of the portfolio's assets are invested in issuers located in a single country, a small number of countries, or a particular geographic region, these conditions will have a significant impact on the portfolio's performance.

This represents a principal risk for all mandates except the following: Large Cap Growth, Growth Equity, Research Equity, Core Equity, Large Cap Value, Blended Research US Core Equity, Blended Research Large Cap Growth Equity, Blended Research Large Cap Value Equity, Small Cap Growth Equity, Mid Cap Growth Equity, Mid Cap Value Equity, US Core High Yield, Core Fixed Income, Core Plus Fixed Income, US Credit, US Corporate BB Fixed Income, Municipal Fixed Income, and Domestic Balanced.

#### Geographic Focus Risk – National Municipal Mandates

A portfolio's performance will be closely tied to the issuer, market, economic, industry, political, regulatory, geopolitical, and other conditions in the states, territories, and possessions of the United States in which the portfolio's assets are invested. These conditions include constitutional or statutory limits on an issuer's ability to raise revenues or increase taxes, anticipated or actual budget deficits or other financial difficulties, or changes in the credit quality of municipal issuers in such states, territories, and possessions. If a significant percentage of the portfolio's assets is invested in a single state, territory, or possession, or a small number of states, territories, or possessions, these conditions will have a significant impact on the portfolio's performance and the portfolio's performance may be more volatile than the performance of more geographically diversified portfolios.

The sole mandate for which this represents a principal risk is Municipal Fixed Income.

#### Growth Company Risk

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

This represents a principal risk for the following mandates: Growth Equity, Large Cap Growth, Blended Research Large Cap Growth Equity, Mid Cap Growth Equity, Small Cap Growth Equity, International Small Cap Equity, Technology Equity, Global Growth, and International Growth.

#### Industry Concentration Risk

The portfolio's performance may be closely tied to the performance of issuers in any industry that accounts for a large portion of the Latin American market, European market, Japan market, or Asia Pacific ex-Japan market, as applicable. Issuers in a single industry can react similarly to market, economic, industry, political, regulatory, geopolitical, and other conditions.

This represents a principal risk for the following mandates: Latin American Equity, European Equity, European Research Equity, European Value, Japan Equity, and Asia Pacific ex-Japan Equity.

### Interest Rate Risk

The price of a debt instrument typically changes in response to interest rate changes. Interest rates may change in response to the supply and demand for credit, government monetary policy and action, inflation rates, and other factors. In general, the price of a debt instrument falls when interest rates rise and rises when interest rates fall. Interest rate risk is generally greater for instruments with longer maturities, or that do not pay current interest. In addition, short-term and long-term interest rates and interest rates in different countries 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 represents a principal risk for the following mandates: Utilities, Domestic Balanced, Global Balanced, Core Fixed Income, Core Plus Fixed Income, US Credit, US Corporate BB Fixed Income, Emerging Market Debt, Emerging Market Debt Local Currency, US Core High Yield, Global High Yield, Global Credit, Global Aggregate Core, Global Aggregate Core Plus, Global Aggregate Opportunistic, Limited Maturity Fixed Income, Municipal Fixed Income, and Opportunistic Fixed Income.

### Investment Selection Risk (strategies that do not use quantitative models as part of investment strategy)

MFS's investment analysis and its selection of investments may not produce the intended results and/or can lead to an investment focus that results in the portfolio underperforming other portfolios with similar investment strategies and/or underperforming the markets in which the portfolio invests.

This represents a principal risk for all mandates except the following: Blended Research US Core Equity, Blended Research Large Cap Growth Equity, Blended Research Large Cap Value Equity, Blended Research Global Equity and Low Volatility Global Equity.

### Investment Selection Risk (strategies that use quantitative models as part of investment strategy)

MFS's investment analysis, its development and use of quantitative models, and its selection of investments may not produce the intended results and/or can lead to an investment focus that results in the portfolio underperforming other portfolios with similar investment strategies and/or underperforming the markets in which the portfolio invests and/or underperforming relative to the portfolio's benchmark. Investments selected using quantitative models may not produce the intended results due to the factors used in the models, the weight placed on each factor in the models, changing sources of market return, and technical issues in the design, development, implementation, and maintenance of the models (e.g., incomplete or inaccurate data, programming or other software issues, and technology failures).

This represents a principal risk for the following mandates: Blended Research US Core Equity, Blended Research Large Cap Growth Equity, Blended Research Large Cap Value Equity, Blended Research Global Equity and Low Volatility Global Equity.

#### Investment Strategy Risk - Blended Research strategy

A portfolio's strategy to blend fundamental and quantitative research and to have a consistent level of active risk over time may not produce the intended results. In addition, MFS fundamental research is not available for all issuers.

This represents a principal risk for the following mandates: Blended Research US Core Equity, Blended Research Large Cap Growth Equity, Blended Research Large Cap Value Equity and Blended Research Global Equity.

#### Investment Strategy Risk – Low Volatility strategy

A portfolio's strategy to invest in equity securities with historically lower volatility may not produce the intended results if lower volatility equity securities do not outperform the portfolio's benchmark, if, in general, the historical volatility of an equity security is not a good predictor of the future volatility of that equity security, and/or if the specific equity securities held by the portfolio become more volatile than expected. In addition, a portfolio's strategy to blend fundamental and quantitative research may not produce the intended results, and MFS fundamental research is not available for all issuers. It is expected that a portfolio managed in this strategy will generally underperform the equity markets during strong, rising equity markets.

The sole mandate for which this represents a principal risk is Low Volatility Global Equity.

#### Issuer Focus Risk

Because a portfolio may invest a relatively large percentage of the portfolio's assets in a single issuer or small number of issuers, the portfolio's performance could be more closely tied to that one issuer or those issuers, and could be more volatile than the performance of more diversified portfolios.

This represents a principal risk for the following mandates: Technology Equity, Emerging Market Debt Local Currency, International Concentrated Equity, Global Concentrated Equity, and Japan Equity.

#### Latin American Market Risk

All of the countries in the Latin American region are currently considered emerging market economies. High interest, inflation (in some cases substantial and prolonged), 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 such as agricultural products, minerals and metals represent a significant percentage of exports of many Latin American countries. Governments of many Latin American countries exercise influence over many aspects of the private sector, and any such exercise could have a significant effect on issuers in which the portfolio invests. Moreover, some Latin American countries have histories of instability and upheaval that could

cause their government to act in a detrimental or hostile manner toward private enterprise or foreign investment.

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

#### Leveraging Risk

Certain transactions and investment strategies can result in leverage. Leverage involves investment exposure in an amount exceeding the initial investment. In transactions involving leverage, a relatively small change in an underlying indicator can lead to significantly larger losses to a portfolio. Leverage can cause increased volatility by magnifying gains or losses.

#### Liquidity Risk

Certain investments and types of investments are subject to restrictions on resale, may trade in the over-the-counter market, or may not have an active trading market due to adverse market, economic, industry, political, regulatory, geopolitical, and other conditions. At times, all or a large portion of segments of the market may not have an active trading market. Without an active trading market, it may be difficult to value, and it may not be possible to sell these investments and the portfolio may have to sell certain of these investments at a price or time that is not advantageous.

#### Mid Cap Risk

The stocks of mid cap companies can 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 represents a principal risk for the following mandates: Mid Cap Growth Equity and Mid Cap Value Equity.

#### 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. Municipal instruments can be less liquid than other types of investments and there may be less publicly available information about the issuers of municipal instruments compared to other issuers. 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 portfolio and the overall municipal market. In addition, changes in the financial condition of an individual municipal insurer can affect the overall municipal market.

This represents a principal risk for the following mandates: Core Fixed Income, Core Plus Fixed Income, and Municipal Fixed Income.

#### Prepayment/Extension Risk

Many types of debt instruments, including mortgage-backed securities, commercial mortgage-backed securities, asset-backed securities, certain corporate bonds, and municipal housing bonds, and certain derivatives, 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, 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 represents a principal risk for the following mandates: Domestic Balanced, Global Balanced, Core Fixed Income, Core Plus Fixed Income, US Credit, US Corporate BB Fixed Income, Global Credit, Global Aggregate Core, Global Aggregate Core Plus, Global Aggregate Opportunistic, Limited Maturity Fixed Income, Municipal Fixed Income, and Opportunistic Fixed Income.

#### Real Estate Investment Trust Risk

A real estate investment trust ("REIT") is a company that owns, and in many cases operates, income-producing real estate or real estate related assets. The risks of investing in REITs include certain risks associated with the direct ownership of real estate and the real estate industry in general. REITs are affected by general, regional, and local economic conditions; difficulties in valuing and disposing of real estate; fluctuations in interest rates and property tax rates; shifts in zoning laws, environmental regulations, and other governmental action; cash flow dependency; increased operating expenses; lack of availability of mortgage funds; losses due to natural disasters; overbuilding; losses due to casualty or condemnation; changes in property values and rental rates; and other factors. Many real estate-related issuers, including REITs, utilize leverage (and some may be highly leveraged), which increases investment risk and could adversely affect the issuer's operations and market value in periods of rising interest rates. The securities of smaller real estate-related issuers can be more volatile and less liquid than securities of larger issuers and their issuers can have more limited financial resources.

REITs could be adversely affected by failure to qualify for tax-free pass-through of income under the Internal Revenue Code of 1986, as amended, or to maintain their exemption from registration under the the 1940 Act, and similar risks may also apply to securities of entities similar to REITs formed under the laws of non-U.S. countries.

The sole mandate for which this represents a principal risk is Mid Cap Value Equity.



### 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. It may not be possible to close out a short position at any particular time or at an acceptable price. Short sales can involve leverage. Investing the proceeds from short sale positions in other securities subjects a portfolio to the risks of the securities purchased with the proceeds in addition to the risks of the securities sold short.

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

### Small Cap Risk

The stocks of small cap companies can be more volatile than the stocks of larger companies due to limited product lines, financial and management resources, market and distribution channels. Small cap companies often have shorter operating histories than larger, well-established companies. Their shares can be less liquid than those of larger companies, especially during market declines.

The sole mandate for which this represents a principal risk is Small Cap Growth Equity.

### Small to Medium Cap Risk

The stocks of small to medium cap companies can be more volatile than the stocks of larger companies due to limited product lines, financial and management resources, and market and distribution channels. Small to medium cap companies often have shorter operating histories than larger, well-established companies. Their shares can be less liquid than those of larger companies, especially during market declines.

The sole mandate for which this represents a principal risk is International Small Cap Equity.

### 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 represents a principal risk for all mandates except the following: US Core High Yield, Global High Yield, Core Fixed Income, Core Plus Fixed Income, US Credit, US Corporate BB Fixed Income, Municipal Fixed Income, Limited Maturity Fixed Income, Global Credit, Global Aggregate Core, Global Aggregate

Core Plus, Global Aggregate Opportunistic, Emerging Market Debt and Emerging Market Debt Local Currency.

#### Technology Concentration Risk

The portfolio's performance will be closely tied to the performance of issuers in a limited number of industries. Companies in a single industry can react similarly to market, economic, industry, political, regulatory, geopolitical and other conditions. As a result, the portfolio's performance can be more volatile than the performance of more broadly-diversified portfolios.

The price of stocks in the technology sector can be very volatile, especially over the short term, due to the rapid pace of product change and technological developments. Issuers in the technology sector are subject to significant competitive pressures, such as new market entrants, short product cycles, competition for market share, and falling prices and profits. Issuers doing business in the technology area also face the risk that new services, equipment, or technologies will not be commercially successful, or will rapidly become obsolete.

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

#### Utilities Concentration Risk

The portfolio's performance will be closely tied to the performance of issuers in a limited number of industries. Issuers in a single industry can react similarly to market, economic, industry, political, regulatory, geopolitical, and other conditions. As a result, the portfolio's performance could be more volatile than the performance of more broadly-diversified portfolios.

Issuers in the utilities sector are subject to many risks, including the following: increase in fuel and other operating costs; restrictions on operations, increased costs, and delays as a result of environmental and safety regulations; coping with the impact of energy conservation and other factors reducing the demand for services; technological innovations that may render existing plans, equipment or products obsolete; the potential impact of natural or man-made disasters; difficulty in obtaining adequate returns on invested capital; difficulty in obtaining approval of rate increases; the high cost of obtaining financing, particularly during periods of inflation; increased competition resulting from deregulation, overcapacity, and pricing pressures; and the negative impact of regulation.

Issuers doing business in the telecommunications area are subject to many risks, including the negative impact of regulation, a competitive marketplace, difficulty in obtaining financing, rapid obsolescence, and agreements linking future rate increases to inflation or other factors not directly related to the active operating profits of the issuer.

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

### 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 represents a principal risk for the following mandates: Large Cap Value, Blended Research Large Cap Value Equity, Mid Cap Value Equity, Domestic Balanced, Global Balanced, International Value, European Value, and Global Value.

## ***Item 9 – Disciplinary Information***

Nothing to report.

## ***Item 10 – Other Financial Industry Activities and Affiliations.***

In addition to being an investment adviser registered with the SEC, MFS is also a commodity trading advisor and commodity pool operator registered with the US Commodity Futures Trading Commission. As described above in Item 4, *Advisory Business*, MFS is part of the MFS Global Group, which consists of investment advisers with investment professionals located in Japan, Hong Kong, Australia, Brazil, Singapore, Mexico, Canada, Portugal, and the United Kingdom, as well as MFS Global Group operations in the United States. Moreover, as mentioned in Item 8, *Methods of Analysis, Investment Strategies and Risk of Loss*, from time to time, MFS benefits from sharing research with its Participating Affiliates 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 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 portfolios, including clients of MFS. Specific decisions to purchase or sell a client's portfolio securities are made by individuals affiliated with MFS. Any such individual may serve other clients of MFS or any affiliate of MFS in a similar capacity.

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 UK.** MIL UK is an indirect, wholly-owned subsidiary of MFS. MIL UK is 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 MFS 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 MFS and/or its affiliates acts as an investment adviser or sub-adviser.
- **MIMKK.** MIMKK is an indirect, wholly-owned subsidiary of MFS organized under the laws of Japan. MIMKK provides investment advisory services and related distribution services for certain non-U.S. registered products or non-U.S. clients for which MFS 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 and related distribution services outside the United States for certain U.S. registered products or U.S. clients for which MFS and/or its affiliates act as investment adviser or sub-adviser.

- **MFS Canada.** MFS Canada, an indirect wholly-owned subsidiary of MFS, is an investment adviser headquartered in Toronto, Ontario, Canada and registered in each of the provinces and territories of Canada. MFS Canada provides services to pension, corporate, foundation and other non-retail portfolios based in Canada. These portfolios are managed through the use of private pooled investment funds, and/or individual securities offered and sold to non-U.S. persons. MFS Canada provides investment advisory services for certain non-U.S. registered and unregistered commingled products or non-U.S. clients for which MFS Canada and/or its affiliates acts as investment adviser or sub-adviser. As a Participating Affiliate within the MFS Global Group, MFS Canada also provides investment advisory services outside the United States for certain U.S. registered products or U.S. clients for which MFS and/or its affiliates act as investment adviser or sub-adviser.
- **MFS Lux.** MFS Lux, an indirect, wholly-owned subsidiary of MFS, is a société à responsabilité limitée organized under Luxembourg law. MFS Lux provides management, administration, and distribution services outside the United States to certain non-U.S. investment products for which MFS acts as investment manager.
- **MIL HK.** MIL HK is an indirect, wholly-owned subsidiary of MFS and provides investment management and marketing support services outside the United States. As a Participating Affiliate within the MFS Global Group, MIL HK also provides investment advisory services outside the United States for certain U.S. registered investment companies or U.S. clients for which MFS and/or its affiliates act as investment adviser or sub-adviser.
- **MFSI Singapore.** MFSI Singapore is an indirect, wholly owned subsidiary of MFS and is organized under the laws of Singapore. MFSI Singapore provides investment management, investment research, investment advice and distribution related services outside the United States for certain non-U.S. separate account clients and non-U.S. registered products that may be advised or sub-advised by MFS or MFSI and/or its affiliates. As a Participating Affiliate within the MFS Global Group, MFSI Singapore also provides investment advisory services outside the United States for certain U.S. registered investment companies or U.S. clients for which MFS and/or its affiliates act as investment adviser or sub-adviser.

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

#### MFSI

MFSI acts as investment adviser for separately managed institutional accounts and as sub-adviser for certain registered and foreign investment companies. MFSI also provides advisory services through a Private Portfolio Management ("PPM") program to certain individual and institutional investors. Some clients of MFSI may be shareholders of some of 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 Funds to MFS or its affiliates attributable to the client's investment in the MFS Fund.

#### MFS Fund Distributors, Inc. ("MFD")

MFD, a registered broker-dealer and wholly-owned subsidiary of MFS, acts as distributor for most of the U.S. registered open-end management investment companies for which MFS acts as the primary investment adviser. 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 non-depository 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 investors. MFSI provides client introductions and client servicing support to MHTC for its collective investment trusts.

#### MFS International Ltd. ("MIL")

MIL provides distribution services outside the United States for various investment products and services, including distribution of products advised or sub-advised by MFS or MFSI.

#### MFS International Switzerland GmbH ("MFSI Switzerland")

MFSI Switzerland is a wholly-owned subsidiary of MIL UK. MFSI Switzerland is organized as a company with limited liability under the laws of Switzerland. MFSI Switzerland provides distribution and marketing services outside of the United States for various non-U.S. registered products or non-U.S. clients, including those for which MFSI and/or its affiliates acts as an investment adviser or sub-adviser.

#### SLF entities

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

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

### **Participation or Interest in Client Transactions**

MFS and its affiliates act as investment manager to numerous client portfolios and may give advice or take action with respect to a client portfolio, or for their own portfolios, that differs from action taken on behalf of other portfolios. MFS Global Group members, including MFS, are not obligated to provide the same investment opportunities to all portfolios other than to the extent that may be required by the current policies or procedures of the MFS Global Group member. From time to time, MFS may take an investment action or decision for one or more portfolios that may be different from, or inconsistent with, an action or decision taken for one or more other portfolios that have different investment objectives, and such actions may be taken at different, potentially inopportune, times. The difference in timing could result in increased implementation costs, such portfolios could be diluted, the values, prices or investment strategies of another portfolio could be impaired or such portfolios could otherwise be disadvantaged. For example, one portfolio may buy a security and another portfolio may subsequently establish a short position in that same security or with respect to another security of that issuer. The subsequent short sale may result in a decrease in the price of the security which the first portfolio holds. Conversely, potential conflicts may also arise because portfolio decisions effected for one portfolio may result in a benefit to other portfolios. For example, one portfolio may purchase a security or cover a short position in a security, which may increase the price of the same security held by other portfolios, therefore benefitting those other portfolios. These effects may be particularly pronounced in less liquid strategies.

Certain portfolios to which MFS or another MFS Global Group member provides investment management services may be beneficially owned, in whole or in part, by MFS or its affiliates and/or their respective officers and employees. MFS Global Group's management of such portfolios presents at least three potential conflicts: 1) charging a performance-based fee (the MFS Global Group member has an incentive to favor a performance-based fee portfolio to maximize fee revenue); 2) investment of proprietary assets (the MFS Global Group member invests proprietary assets in such portfolios and therefore has an incentive to favor its investments to maximize its return); and 3) portfolio manager investment in such portfolios (a portfolio manager has an incentive to favor portfolios in which he/she is invested in order to maximize the return of his/her investment). 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 Portfolios (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 a portfolio's investment style to clients (each, an "MFS Pilot Fund") (an MFS Pilot Fund may also include client investments in certain circumstances). MFS may purchase on behalf of one or more client portfolios the same securities or other financial instruments as those held in an MFS Pilot Fund. Such client portfolios may be managed in a similar style to the MFS Pilot Fund or pursuant to a different investment style than the MFS Pilot Fund. MFS may have an incentive to favor an MFS Pilot Fund to create a good track record to maximize distribution opportunities. Additionally, although trading by MFS Pilot Funds are not restricted to the same degree as trading by Access Persons as discussed below, an MFS Pilot Fund is subject to special trading restrictions that are 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 MFS' clients. Such employees may also invest or otherwise have an interest, either directly or indirectly, in private funds that may invest in securities held in other client portfolios.

Conflicts may also arise in cases where portfolios invest in different parts of an issuer's capital structure. If an issuer in which different portfolios hold different classes of securities (or other assets, instruments or obligations issued by such issuer) encounters financial problems, decisions over the terms of any workout will raise conflicts of interests. To avoid such conflicts, MFS may refrain from participating or may exercise the rights of all such portfolios to the fullest extent, even though doing so may disadvantage some portfolios.

As the situations described above may give rise to potential conflicts of interest, MFS 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 mitigate conflicts of interest with or among clients and to resolve them appropriately when they do occur.

### **MFS Investment Management Code of Ethics**

The MFS Investment Management Code of Ethics (the "Code") includes standards of business conduct requiring MFS' 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 MFS employees, including officers and 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. All employees are obligated to report personal and beneficially owned portfolios as well as holdings and transactions in reportable securities, including mutual funds managed or sub-advised by MFS. In addition, employees are obligated to certify to transactions and holdings in reportable securities to the extent required under the Code. However, neither MFS nor any of its

employees is obligated to refrain from investing in securities held by the portfolios that it manages except to the extent that such investments violate applicable law, the Code, or other policies of MFS.

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 reportable securities for personal and beneficially owned accounts.

Portfolio managers are prohibited from trading a security for their personal account (i) for seven calendar days after a transaction in the same or similar security in a client portfolio managed by the portfolio manager and (ii) for seven calendar days before a transaction in the same or similar security in a client portfolio managed by the portfolio manager if the portfolio manager has reason to believe that such client portfolio is 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 short-term trades in funds that they manage (i.e., personally (i) buying and selling, or (ii) 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 the MFS Committee charged with oversight of the Code, 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.

In limited circumstances, the MFS committee charged with oversight of the Code has the authority to grant exceptions to the provisions of the Code on a case-by-case basis.

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. Please also refer to Item 12, *Brokerage Practices*, below, for a discussion of MFS' practices with respect to potential conflicts arising from the recommendation or disposition of securities for both client portfolios and portfolios 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 and its related persons may, from time to time, come into possession of material, nonpublic and other confidential information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, MFS may be prohibited from improperly disclosing or using such information for its personal benefit or for the benefit of any other person, regardless of whether such other person is an advisory client. Accordingly, should MFS come into possession of material, nonpublic or other confidential information with respect to any company, it may be prohibited from

communicating such information to, or using such information for the benefit of its managed portfolios, and have no obligation or responsibility to disclose such information to, nor responsibility to use such information for the benefit of, such portfolios when following policies and procedures designed to comply with law. To this end, MFS maintains an Inside Information Policy, to which the MFS Global Group, including MFS, is subject, that establishes procedures to prevent the misuse of material, nonpublic information concerning an issuer of securities by MFS 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, MFS is prohibited from using such information for its own and its clients' benefit. For purposes of the policy, "using" material, nonpublic information includes trading activity while in possession of such information.

#### **Investment in MFS' Ultimate Parent Company**

As a matter of corporate policy, MFS does not invest the assets of any client in securities of SLF.

#### **Identification and Resolution of Errors**

MFS maintains a Trade Error Policy, to which the MFS Global Group is subject. The Trade Error Policy applies to trades that were not authorized by the responsible portfolio manager, trades that were erroneously authorized by the portfolio manager or trades that result in a violation of an applicable legal or contractual constraint on a client portfolio (collectively, "Trade Errors"). The Trade Error Policy is intended to prevent the use of client assets to correct Trade Errors caused by MFS. Trade Errors are reported to MFS' Corporate Compliance Department, and associated documentation, including a description of the error, resolution and action(s) taken to prevent re-occurrence are reviewed monthly by the MFS Committee charged with oversight of Trade Errors. The Committee's members include a cross-functional group of senior professionals.

## *Item 12 – Brokerage Practices*

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

### **Trading Venues and Methods**

MFS 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 (each, a “broker” for purposes of the discussion in this section,). MFS also utilizes electronic trading methods, including Electronic Communications Networks (“ECNs”) (including, without limitation, multilateral trading facilities (“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. MFS owns a 4.9% stake in Luminex Trading & Analytics LLC (“Luminex”), an alternative trading system. While there may be an economic incentive for MFS to route orders to Luminex to enhance its profitability, Luminex currently runs as close to break-even as possible while remaining financially sound and self-sustaining. Since Luminex does not currently seek to earn a profit on transactions, MFS should not increase Luminex's profitability by routing more trades to it.

When making trading decisions, MFS 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 (which in the United States, are typically measured in cents per share, while in most non-U.S. jurisdictions, are typically measured in basis points). Brokers, generally, are 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 markets 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. 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.

## Selection of Brokers

Except as discussed below with respect to clients who have limited MFS' brokerage discretion, MFS 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. MFS seeks to deal with brokers who can provide high-quality execution services.

In seeking best execution, MFS 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, considering 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 and brokerage services provided by the broker. In seeking best execution, MFS does not take into account charges imposed upon clients by third parties, such as ticket charges that may be imposed by a client's custodian.

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 securities are traded and their relative liquidity. As noted above, MFS may utilize numerous brokers and trading venues and strategies in order to seek best execution for client transactions. MFS 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. MFS 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, MTFs, or ATSs), or on a principal basis, at net prices without commissions but including compensation to the broker in the form of a mark-up or mark-down, depending on where MFS 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 MFS on tender or exchange offers. Such soliciting or dealer fees are in effect recaptured by the clients.

MFS 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 portfolio.

## **“Soft Dollars”**

In allocating brokerage, MFS 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)”), MFS may cause clients to pay a broker that provides “brokerage and research services” (as defined by Section 28(e)) to MFS 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 MFS 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 MFS' overall responsibilities to the client and its other clients. “Commissions,” as currently 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 portfolios; 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 ("Corporate Access");
- 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").

MFS 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 MFS' clients for securities transactions ("Pooled Commissions"). Pooled Commissions also include a portion of the commissions 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 MFS ("Research Providers"). To the extent a Research Provider plays no role in executing client securities transactions, any Research prepared by that Research Provider would constitute third party research. MFS may use brokerage commissions, including Pooled Commissions, from client portfolio transactions to acquire Research, subject to the procedures and limitations described in this discussion. "Research Commissions" as used in the discussion below represent the portion of Commissions or "Other Compensation" (as defined below) that is paid on client transactions in excess of the portion that compensates the broker or dealer for executing, clearing and/or settling the transaction.

MFS establishes a semi-annual budget for Research paid for with Research Commissions ("Global Budget"). The MFS Global Group allocates Research Commissions through a research vote process ("Research Vote") in which MFS and other MFS Global Group investment professionals assess the value of Research provided to MFS, as well as other members of the MFS Global Group, by Research Providers (which may include Executing Brokers) ("Research Firms") during the period. MFS ascribes a dollar amount to each vote which, in total, is intended to equal the Global Budget for the period. Investment professionals are not required to spend all of their votes. MFS uses the Research Vote as a guide for allocating Pooled Commissions to Research Firms subject to each semi-annual period's Global Budget. 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 are made pursuant to Trade Commissions, MFS, 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. MFS, as well as other members of the MFS Global Group, reserves the right to pay cash to the Research Firm from its own resources in an amount MFS determines in its discretion.

The MFS Global Group currently conducts two separate Research Votes. One Research Vote is used to allocate among Research Firms those Research Commissions attributable to investment decisions taken by a manager on behalf of MIL UK clients ("MIL UK Vote"), while the other Research Vote is used to allocate among Research Firms those Research Commissions attributable to investment decisions taken by a manager on behalf of clients of another member of the MFS Global Group ("MFS Global Group Vote"). The principal difference between the MFS Global Group Vote and the MIL UK Vote is that members of the MFS Global Group investment staff may take into account Corporate Access in the MFS Global Group Vote but may not take into account Corporate Access in the MIL UK Vote.

If MFS 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), MFS may allocate the costs of such service or product accordingly in its reasonable discretion. MFS will allocate Research Commissions to Research Firms only for the portion of the service or product that MFS 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 MFS for no consideration other than Research Commissions. In determining whether a service or product qualifies as “brokerage and research services”, MFS evaluates whether the service or product provides lawful and appropriate assistance to MFS 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 MFS by brokers. The determination and evaluation of the reasonableness of the Research Commissions paid is based primarily on the professional opinions of the investment professionals who utilize the Research provided by the broker-dealers.

In certain instances, MFS provides discretionary investment management services to a client of a Participating Affiliate pursuant to a delegation of investment management authority or pursuant to a sub-advisory agreement between the Participating Affiliate and MFS. 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 Conduct Authority or Canadian national instruments that govern money managers’ use of client commissions. MFS’ portfolio management activities on behalf of non-U.S. clients of Participating Affiliates, pursuant to MFS’ 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 Participating Affiliates. Therefore, MFS 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, MFS and MFSI will not utilize Other Compensation generated in transactions effected on behalf of MFS’ or MFSI’s clients to purchase Research.

The advisory fee paid by MFS’ clients is not reduced as a consequence of MFS’ 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 Research Commissions, MFS 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, the clients pay more for their portfolio transactions than if MFS caused clients to pay execution only rates. MFS 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 lower commission rates. The Research received may be useful and of value to MFS or other members of the MFS Global Group in serving both the client portfolios that generated the commissions and other clients of MFS 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 MFS in connection with the clients whose portfolio generated the brokerage commissions.

## **Order Aggregation and Allocation Practices**

### ***Trade Opportunities***

As part of MFS' duty to seek best execution, MFS 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 portfolios. To address these circumstances, MFS has adopted the trade allocation policies described below. These policies apply in instances where investments may be appropriate for more than one client or portfolio of MFS, MFSI 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 portfolio over time and that no client or portfolio of MFSI, MFS or other MFS Global Group member is improperly favored over any other client or portfolio over time. 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 and in accordance with MFS' trade allocation policies.

Under these policies, investment opportunities are generally allocated *pro rata* among portfolios with the same or similar investment objectives managed by a portfolio manager based on the value of the portfolio (or relevant portion thereof). In making *pro rata* allocations of investment opportunities, MFS permits allocations to be weighted (i.e., diverge from *pro rata*) (a) to counterbalance disparities in positions or portfolio characteristics among similarly managed portfolios if those disparities cause the portfolios to lack similar portfolio characteristics, (b) to account for cash availability and expected flows for similarly managed portfolios, (c) to account for prospectus restrictions, portfolio guideline restrictions or other restrictions, and (d) to account for tax reasons (collectively, "Deviation Reasons"). It will not be a violation of MFS' trade allocation policies if similarly managed portfolios are not allocated a *pro rata* portion of an investment opportunity as a result of MFS' implementation of non-*pro rata* allocations in response to one or more Deviation Reasons.

An equity portfolio will be deemed to have similar characteristics as that of the applicable model portfolio if, after giving effect to the execution, the weighting of a portfolio security held in that portfolio 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 portfolio 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.

Fixed income portfolios are monitored monthly for dispersion in interest rate duration and spread duration. This review identifies and validates any dispersion greater than 25 basis points for fixed

income portfolios managed to a similar strategy. The review is designed to highlight inconsistencies in either dispersion type between the clone portfolio and its designated model. Dispersion of greater than 25 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 25 basis points is approved by the portfolio manager and the reasons for the different treatment of the similarly managed portfolio are documented and approved by the IMC or brought within 25 basis points within 3 months of the time that the dispersion first exceeded 25 basis points. In monitoring any deviations from the general rule, the MFS Global Group may review several measures. In the case of two portfolios 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 portfolio. In addition, the MFS Global Group may need to review information including, by way of example, a security's prospectus, private placement memorandum or other offering circular as well as documents, certifications and representations provided by clients or other information to determine whether it can purchase an investment on behalf of certain clients or categories of clients (e.g., qualified institutional buyers, clients subject to ERISA, clients domiciled in the U.S.). The MFS Global Group may determine to purchase an investment for portfolios not requiring such prior review before it completes its review with respect to portfolios requiring such prior review. In some instances, by the time the review is completed, the MFS Global Group may not be able to purchase those investments for portfolios requiring prior review at prices that are as favorable as those that were available with respect to portfolios not requiring prior review. In other instances, by the time the MFS Global Group has completed its prior review, it may be unable to purchase the investment for a portfolio requiring prior review or it may have determined that it can no longer purchase the security for a portfolio requiring prior review at a price that it believes is reasonable.

In monitoring any deviations from the general rule in the case of portfolios that are not similarly managed, the MFS Global Group analyzes compliance with such portfolios' respective investment guidelines. Any deviation would need to be justified by reference to the pertinent portfolio's investment guidelines. These guidelines may be more or less detailed depending upon the complexity of the investment strategy pursued.

As a general matter, MFS will not allocate an investment opportunity to "Proprietary Portfolios" until it has first been allocated to client portfolios. MFS defines Proprietary Portfolios as those portfolios, the beneficial owners of which are exclusively members of the MFS Global Group, officers, directors and employees of a member of the MFS Global Group, or trustees of any of the registered investment companies for which MFS serves as the primary investment adviser or any combination of the foregoing, provided, however, that no portfolio that has been established and seeded by a member of the MFS Global Group that is available for purchase by unaffiliated third parties constitutes a Proprietary Portfolio even if no such investments have been made. Proprietary Portfolios are not eligible for new issue allocations ("New Issue Restriction") and may receive secondary allocations only after client

portfolios have received their full allocations ("Secondary Restriction"). Furthermore, short sales, or purchases to cover short positions, for Proprietary Portfolios may be effected only after regular-way sales or regular-way purchases, respectively, for client portfolios ("Short Sale Restriction").

The allocation policies currently exclude any MFS Pilot Fund from the scope of the Secondary Restriction and the Short Sale Restriction. They are, however, subject to the New Issue Restriction. MFS or an affiliate may manage portfolios that are beneficially owned by SLF or one or more of its subsidiaries not controlled by MFS. Such portfolios are not Proprietary Portfolios 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 portfolios may not be identical, even in similarly managed portfolios. This could occur, for example, as a result of a portfolio'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 portfolio are generally effected independently, unless MFS determines to purchase or sell the same investments for several portfolios at approximately the same time, and except for similarly managed accounts.

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

#### ***IPO Allocation and Oversubscribed Secondary Offerings***

MFS maintains specific written policies regarding allocation of equity investments acquired in initial public offerings ("IPOs"), 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 portfolios exceed the available shares in such an Equity Limited Offering. These policies are generally intended to ensure that the opportunity to invest in an Equity Limited Offering is made available on equal terms among similarly managed portfolios managed by the same portfolio manager and that portfolios receive allocations in proportion to the relevant assets within the portfolio. Asset weightings for each portfolio are calculated based on categories of issuers as established by the IMC, in its discretion, from time to time. Allocation is generally *pro rata* based upon the proportion that the amount of the portfolio's relevant assets bears to the total amount of the relevant assets held in all portfolios that submit orders.

In the event that a portion of the available investments in an Equity Limited Offering remains unallocated after all portfolios have received a full allocation, the allocation of the unallocated investments to each portfolio will be made in a fair and equitable manner.

From time to time, a situation may arise in which a client hires a transition manager to model a portfolio before MFS begins to manage it and the model includes one or more securities for which MFS complex-

wide holdings are approaching MFS Global Group-imposed maximum ownership limits ("Internally Limited Securities"). In such a situation, inclusion of an Internally Limited Security in the model for the portfolio being transitioned could cause MFS to exceed internal ownership limits for such Internally Limited Security once MFS begins to manage the portfolio. MFS' policies specifically exclude any Internally Limited Security from the model for a portfolio while it is being transitioned; once MFS has assumed day-to-day management of the portfolio, it may seek to purchase the Internally Limited Security subject to the discretion of the IMC. The foregoing practice may have an adverse effect on a portfolio's performance.

MFS 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"). These policies are generally intended to ensure that portfolios receive allocations based upon the proportion that the amount of the portfolio's relevant assets bears to the total of the relevant assets held in portfolios submitting the order. Fixed Income Limited Offering assets are categorized into types as determined by the IMC, in its discretion, from time to time. An exception to this allocation rule applies to portfolios with a particular asset bias, portfolios with a particular asset allocation mix, and, potentially, portfolios that have experienced a significant change in investment objective or that are in "ramping mode" (i.e., the portfolio is not yet fully invested in conformity with its investment objective). For such portfolios, the amount of relevant assets shall be deemed to be the amount that would be held by such portfolio were that portfolio fully invested in conformity with its investment objective (i.e., consistent with how the portfolio is expected to look when it becomes fully invested). This may result in a portfolio in "ramping mode" receiving a larger relative amount of investments in such an offering than would a portfolio 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 portfolios for the fixed income investments is greater than what is available for purchase. This discussion of ramping mode does not override the restrictions applicable to MFS Pilot Funds even when in ramping mode.

Exceptions to the Equity Limited Offering and Fixed Income Limited Offering allocation guidelines may be made in limited circumstances. One circumstance that can arise where an exception may be warranted involves instances in which a *pro rata* allocation would result in a portfolio being allocated fewer than ten shares (or other applicable minimum board lot or, for fixed income offerings, minimum denomination). Under this scenario, the portfolio will receive the minimum board lot or minimum denomination if a *pro rata* allocation would have resulted in the portfolio receiving 6 to 9 shares or at least 50% of the minimum denomination through a *pro rata* allocation; the portfolio will receive no allocation if a *pro rata* allocation would have resulted in the portfolio receiving fewer than six shares or less than half of the minimum denomination. Another circumstance that can arise where an exception may be warranted is when excess shares become available to MFS to allocate among portfolios because the portfolio manager of one or more participating portfolios determines not to purchase all of the shares to which the portfolio(s) would otherwise be entitled. Under this scenario, the additional shares

may be allocated to other participating portfolios. Exceptions may also occur; (1) where necessary to allow for reasonable rounding of allocations; and (2) as otherwise determined by MFS to be appropriate and equitable to client portfolios. The guidelines also prohibit allocations of Equity Limited Offerings or Fixed Income Limited Offerings to: (1) PPM portfolios; or (2) any portfolio 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. In addition, MFS may not request an equal allocation for a portfolio under the Equity Limited Offering and Fixed Income Limited Offering allocation guidelines if other factors exist that would justify such an unequal allocation, such as (a) to counterbalance disparities in positions or portfolio characteristics in the similarly managed portfolios if those disparities cause the portfolios to lack similar portfolio characteristics, (b) to account for cash availability and expected flow for the similarly managed portfolios, (c) prospectus restrictions, account guideline restrictions or other restrictions, or (d) tax reasons.

Additionally, the MFS Global Group generally limits aggregate ownership by all portfolios that the MFS Global Group manages to a fixed 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 portfolios falls below the maximum level. Consequently, portfolios may be unable to acquire certain investments in which the portfolio manager might wish to invest and in which other portfolios have previously invested and continue to hold, which may affect absolute and relative returns.

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 MFS by a FINRA member, MFS intends to allocate such investments as described above and consistently with FINRA Rule 5130 and FINRA Rule 5131, which provide that brokers, their affiliates and certain other "restricted persons" may not participate in new issues, or may be limited as to the extent of their participation. Only portfolios that MFS 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.

### ***Execution of Trades and Aggregation***

#### ***Crossing***

MFS may "cross" opposing trades (e.g., a buy order and a sell order for the same security) or aggregate similar trades (e.g., buy orders for the same security).

Consistent both with Section 206 of the Advisers Act and Rule 17a-7 under the 1940 Act, MFS has adopted procedures regarding purchases or sales of securities between eligible portfolios (ERISA portfolios are not eligible portfolios) managed by MFS, or purchases or sales of securities between a portfolio managed by MFS and one managed by MFSI. 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; and
- 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 portfolios, MFS has imposed a blanket prohibition on cross transactions between an MFS Fund and another portfolio if MFS Canada is exercising investment discretion with respect to the security that would otherwise be crossed.

### ***Aggregation***

MFS 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 Portfolios (other than 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 the order before any additional orders are placed for other portfolios, 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 portfolios are received by the 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 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 portfolios 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, including commissions, are generally allocated among portfolios *pro rata* based on the amount of each client portfolio's order.

In some cases, one or more portfolio managers of the MFS Global Group may learn that a change in the internal rating of a security or initiation of a security's rating by MFS (each, a "Rating Event") is imminent. To preclude a portfolio manager from unfairly increasing or decreasing positions in a security impacted by a Rating Event (an "Affected Security") and to ensure that all MFS Global Group investment professionals are able to act upon a Rating Event on a reasonably equivalent basis, MFS requires that all orders for an Affected Security placed during a specified Order Window (as defined below) be allocated *pro rata* among participating portfolios, even if some portfolios' orders were submitted and/or executed before orders for other portfolios. The "Order Window" typically begins at the time of the Rating Event and may extend for a period of up to three hours after notice of the Rating Event has been disseminated to all investment professionals in the MFS Global Group. MFS has excepted from these requirements trades in Affected Securities that are placed for reasons unrelated to the Rating Event (e.g., to invest cash generated from investment inflows or to generate cash to satisfy redemptions).

In certain circumstances, such as a buy in for failure to deliver, MFS is not able to select the broker who will transact to cover the failure. For example, if a portfolio sells a security short and is unable to deliver the securities sold short, the broker through whom the portfolio sold short must deliver securities purchased for cash (i.e., effect a "buy in," unless it knows that the portfolio 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, MFS will be unable to control the trading techniques, methods, venues or any other aspect of the trade used by the broker.

If MFS 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), or if MFS is prohibited by a client from executing trades with brokers other than brokers that the client has specifically approved for its portfolio, such trades may be segregated from other client trades through such brokers. The practice of clients instructing MFS to direct brokerage transactions for their portfolios 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 (which are often referred to as "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 portfolio. Where a client directs MFS to execute through particular brokers in connection with such commission recapture arrangements, MFS negotiates commission rates on transactions executed through such brokers, while the client negotiates the portion of the commission recaptured by such client. Where a client directs MFS to execute through particular brokers, MFS 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 or allowing only certain approved brokers for execution limits or removes MFS' 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 MFS for executing other clients' orders for the same security generally will not be combined with, and may be placed after, orders for the same securities for other client portfolios managed by MFS. Accordingly, directed transactions and transactions not aggregated with other client transactions by reason of an affiliation of the client with the relevant broker-dealer or by reason of such broker not being on the client's approved broker list 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 MFS' duty to seek best execution, the direction by a client of a particular broker to execute transactions, 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 or the need to use a different broker to execute a client's order by virtue of the broker-dealer not being listed on a client's approved broker list, may result in higher commissions, greater spreads or less favorable prices than might be the case if MFS could negotiate commission rates or spreads freely, or select executing brokers or dealers based on best execution.

Depending on the nature of the direction, MFS may instead use "step-outs" to allow such clients to participate in aggregated trades. In step-out transactions, MFS 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.

Similarly, if MFS, 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 MFS selects, MFS 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 MFS.

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 Portfolios, other than for MFS Pilot Funds, will normally be effected after regular-way sales and regular-way purchases, respectively, for client Portfolios. 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 Portfolios (other than MFS Pilot Funds) cannot be executed until after all such orders for client portfolios



have been executed.

### **Operating Currency Related 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 portfolio). Client portfolio trades and flows that occur in currencies other than the operating currency will be converted to the operating currency by processing a foreign exchange (FX) transaction.

Foreign income and dividend repatriation FX transactions are FX transactions executed in order to convert dividends, interest payments and other income received in a currency other than the portfolio's operating currency ("foreign currency") into the portfolio's operating currency. With respect to foreign income and dividend repatriation FX transactions, MFS will direct the client's custodian bank to execute the FX transactions in order to repatriate all income to the operating currency of the portfolio, unless the client requests otherwise.

Securities related FX transactions are FX transactions executed in connection with specific purchase and sale transactions in individual securities in order to effect an exchange between the portfolio's operating currency and the foreign currency in which a particular security is denominated. With respect to securities related FX transactions, clients of MFS may choose to have FX transactions effected either through MFS or through their respective custodian. Where MFS has been given authority to effect securities related FX transactions for a client, MFS is permitted to execute FX transactions for the client portfolio with brokers MFS selects at its discretion for currency management purposes, unless the scope of authority given to MFS by the client enables the client to direct otherwise (e.g., by reason of any directed brokerage requirements the client may have, any brokerage affiliation issues the client may have, and/or any specific approved broker lists the client may have provided to MFS). Generally, transactions for portfolios with similar currency needs will be aggregated based on the currencies involved as well as matching trade and settlement date requirements. In situations where MFS encounters offsetting currency needs for portfolios at approximately the same time, and where the other details of the needs match, net transactions will be executed. In such cases, the participating portfolios must be eligible for netting transactions. For example, MFS will not consider portfolios subject to ERISA to be eligible to participate in such netting transactions, and, depending on a non-ERISA portfolio's particular restrictions, including, for example, any directed brokerage or custodian bank requirements, a non-ERISA portfolio may or may not be eligible to participate in netting transactions. Where the client has chosen to have securities related FX transactions effected through its custodian, MFS will direct the client's custodian bank to execute securities related FX transactions (the custodian bank may have different netting practices).

For all portfolios (regardless of whether the client has chosen to have FX transactions effected through its custodian or through MFS), the client's custodian bank will generally 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"). MFS 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.

For any FX transaction executed through the client's custodian (whether for security transaction purposes at the client's direction or foreign income and dividend repatriation purposes as part of MFS' standard process), the client generally negotiates the fees charged by the custodian on these FX transactions, and MFS generally does not evaluate the services provided to the client; however, on a daily basis, MFS reviews the foreign exchange rates received by the client's portfolio versus the daily quoted trading range sourced from a third party vendor in order to flag any rates received with respect to the transactions by the client's portfolio that may be materially outside of this range.

MFS recognizes that FX transactions may positively or negatively affect performance and does not seek to take any investment view on operating currency related FX transactions.

### **Investment Related Currency Transactions**

MFS may also execute FX transactions for client portfolios to obtain currency exposure and/or for risk management purposes when managing client portfolios, depending upon the client portfolio's specific mandate and investment guidelines. In these cases, MFS is permitted to execute FX transactions for the client portfolio with brokers MFS selects at its discretion for such purposes, unless directed otherwise by the client.

### ***Item 13 – Review of Accounts***

Client portfolios are managed day-to-day by employees of MFS appointed and supervised by senior employees of the MFS Global Group. MFS conducts reviews of client portfolios based on the nature of such portfolios. 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. Semi-annual risk reviews are conducted by both 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 MFS. MFS 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 MFS, customized reporting is available. Written reports are delivered via e-mail and also can be retrieved directly and securely by clients from the MFS website. MFS 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 MFS.

Annual audited financial statements are prepared for each private fund sponsored by MFSI and sub-advised by MFS, and the fund and its investors receive copies of such statements.

## ***Item 14 – Client Referrals and Other Compensation***

Many of MFS' clients retain investment consultants to assist with the selection of investment managers, such as MFS. Typically, such investment consultants are compensated by the clients, not MFS. However, MFS may have its own relationship with the same and different investment consultants in connection with services provided by the consultants to MFS, including, without limitation, competitive universe databases, manager performance analytics, investment forums, and business or product consulting engagements. MFS pays such consultants for these services. MFS 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 MFS' services or products to the clients of the consultants. In addition, MFS 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. MFS seeks to maintain arm's-length relationships when receiving or providing services to investment consultants.

MFS 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 MFS 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 MFS pays a fee. With respect to its business outside of the United States, MFS 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, MFS will comply with such requirements.

## ***Item 15 – Custody***

MFS may be deemed to have "custody" of advisory client cash or bank accounts and securities to the extent that they are attributable to certain foreign investment companies managed by MFS. Such account holders receive account statements from the accounts' custodian, rather than MFS or one of its affiliates, and should carefully review such statements. To the extent that a client has instructed MFS to automatically deduct advisory fees from the client's account, MFS may be deemed to have custody of such client accounts. Such clients will receive account statements from both MFS and their custodian. Clients are urged to review and compare such statements carefully. Additionally, clients should contact MFS immediately if they do not receive account statements from the custodian on at least a quarterly basis.

## ***Item 16 – Investment Discretion***

Generally, MFS 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, MFS requires a client to enter into a written investment management agreement with MFS. Any limitations on MFS' discretion in the case of a particular client will be agreed in advance and set forth in the investment management agreement between MFS and such client. Clients should understand that in order for MFS to fully exercise its discretionary investment management authority, MFS asks clients to execute and deliver any and all agreements, instruments, contracts, assignments, bond powers, stock powers, transfer instructions, receipts, waivers, consents and other documents, provide any and all information and perform any and all such acts, as MFS may deem necessary or reasonably desirable (collectively, "Necessary Actions"). If and to the extent a client fails to perform any Necessary Action, MFS may be unable to fully exercise its discretionary investment management authority and, consequently, the performance of the client's portfolio may differ from the performance of similarly-managed portfolios of MFS with respect to which all Necessary Actions have been performed.

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 MFS' discretionary authority. The IMC also provides ongoing oversight of investment personnel, portfolio management, research and trading.

## *Item 17 – Voting Client Securities*

MFS 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. MFS' 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 MFS' own corporate interests, including its institutional relationships or the distribution of MFS Fund shares.

MFS also generally votes consistently on the same matter when securities of an issuer are held by multiple client portfolios, unless MFS has received explicit voting instructions from a client to vote differently on behalf of its portfolio. From time to time, MFS may also receive comments on the MFS proxy voting policies and procedures from its clients. These comments are carefully considered by the MFS Proxy Voting Committee, which 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 MFS or its subsidiaries that are likely to arise in connection with the voting of proxies on behalf of MFS' clients. If such potential material conflicts of interest do arise, MFS will analyze and document them and shall ultimately vote the relevant proxies in what MFS believes to be the best long-term economic interests of its clients. The MFS Proxy Voting Committee is responsible for monitoring and reporting with respect to such potential material conflicts of interest.

Please refer to the proxy voting section of [www.mfs.com](http://www.mfs.com) for the complete version of our proxy voting policies. MFS 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 portfolio. The record reflects the proxy issues that MFS 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 MFS may not have voted in accordance with specific guidelines of its proxy voting policies and procedures.

## ***Item 18 – Financial Information***

Not Applicable.



## *Privacy Policy*