

## Massachusetts Financial Services Company

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 [institutional\\_client\\_service@mfs.com](mailto:institutional_client_service@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<sup>®</sup> 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.

# Firm Brochure

September 20, 2018

## ***Item 2 – Material Changes***

This brochure differs from MFS' annual brochure update filed on March 31, 2017 in the following material respects:

- Various updates have been made to the *Fees and Compensation* section (Item 5) of the brochure.
- The *Methods of Analysis, Investment Strategies and Risk of Loss* section (Item 8) of the brochure has been updated to reflect updates to the risk factors applicable to the various strategies listed in the *Fees and Compensation* section (Item 5).
- Various updates have been made to the *Brokerage Practices* section (Item 12).

## *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.*

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## *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, 2017, MFS managed \$377,882,194,110 in discretionary client assets. The MFS Global Group managed \$508,727,426,640 as of December 31, 2017.

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, derivatives or types of securities or derivatives. 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. The MFS Global Group also manages a small number of 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. 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 portfolios (“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 Large Cap Growth Equity, Blended Research Large Cap Value Equity, Blended Research U.S. Core Equity, Core Fixed Income, Core Plus Fixed Income, U.S. Corporate BB Fixed Income, and U.S. Credit | 0.30% to 0.20% of average month end assets     |
| Blended Research Global Equity, Global Aggregate Core, Global Aggregate Core Plus, and Global Credit   | 0.35% to 0.25% of average month end assets     |
| Global Equity, Global Growth, Global Research, Global Value, International Equity, International Growth, International Research, International Value, Mid Cap Growth Equity, and Mid Cap Value Equity            | 0.75% to 0.50% of average month end assets     |
| International Concentrated Equity or Global Concentrated Equity  | 0.85% to 0.55% of average month end assets     |
| Research Equity, Large Cap Value and Core Equity   | 0.55% to 0.40% of average month end assets     |
| Emerging Market Debt and Emerging Market Debt Local Currency   | 0.55% to 0.45% of average month end assets     |
| Growth Equity and Large Cap Growth   | 0.60% to 0.45% of average month end assets     |
| Utilities  | 0.65% to 0.35% of average month end assets     |
| Global Real Estate   | 0.75% to 0.55% of average month end assets     |
| Global Aggregate Opportunistic and Low Volatility Global Equity  | 0.40% to 0.30% of average month end assets     |

|  |   |
|--|---|
| International Small-Mid Cap Equity                           | 0.95% to 0.75% of average month end assets  |
| Emerging Markets Equity                                      | 0.90% to 0.80% of average month end assets  |
| Asia Pacific ex Japan and Technology Equity                  | 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  |
| Small Cap Growth Equity                                      | 0.90% to 0.70% of average month end assets  |
| U.S. 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  |
| Municipal Fixed Income                                       | 0.30% to 0.20% of average month end assets  |
| Limited Maturity Fixed Income                                | 0.25% to 0.175% 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  |
| 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.

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).

MFS' 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 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. Assets invested in non-MFS Funds or other non-MFS commingled or pooled investment vehicles (including exchange-traded funds ("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 (which may include, without limitation, brokerage fees and transaction costs, transfer agency fees, and custodial 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.

In addition, when Institutional Portfolio assets are invested in an MFS Fund, the Institutional Portfolio indirectly bears a ratable share of the operating expenses incurred by the MFS Fund, 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. To the extent that we invest any institutional client's assets in shares of an MFS Fund, however, the institutional client (other than an MFS Fund invested in another MFS Fund) 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 only, other members of the MFS Global Group may charge both performance-based fees and asset-based fees. Performance-based fees have the potential to cause a conflict of interest by creating an incentive to favor portfolios charged such fees over portfolios charged only asset-based fees in order to generate greater management fees. Performance-based fees may present an incentive to take additional risk with regard to a portfolio's investments. 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.

Portfolios managed by other members of the MFS Global Group that are charged performance-based fees may be subject to a benchmark or hurdle rate. This may create an incentive for the MFS Global Group member to favor portfolios that are generally above their respective benchmarks or hurdle rates (and therefore required to pay performance-based fees) over those portfolios that are generally below their respective benchmark or hurdle rate (and therefore are not required to pay performance-based fees until such portfolios return to their applicable high water marks). This conflict is most apparent where two portfolios follow the same, or a similar, investment strategy.

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 an MFS Fund, in accordance with valuation and liquidity procedures approved by the MFS Fund'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-U.S. 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. MFS' standard minimum portfolio size for establishing an institutional separate account portfolio is typically \$50 million of assets. MFS may accept a portfolio below the minimum in its discretion when, for example, it seeks to promote a new mandate or a client with multiple accounts above the required minimum is allowed to open another account below the minimum portfolio size.

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.

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. Client relationships are governed by investment advisory agreements that set forth the terms under which MFS will provide its services.

## ***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"), MFS International (Hong Kong) Limited ("MIL HK"), and MFS International Australia Pty Ltd ("MFSI Australia" and, together with MIL UK, MFS Lux, MIMKK, MFS Canada, MFSI Singapore, and MIL HK, 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, changes in specific market, economic, industry, political, regulatory, geopolitical, and other conditions that affect a particular type of investment or issuer, and changes in general market, economic, political, regulatory, geopolitical and other conditions can adversely affect the prices of investments. 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, Emerging Market Debt Local Currency, Emerging Market Debt, Global Aggregate Core Plus, Global Aggregate Core, Global Aggregate Opportunistic, Global Credit, Global High Yield, Limited Maturity Fixed Income, Municipal Fixed Income, U.S. Core High Yield, U.S. Corporate BB Fixed Income, and U.S. Credit.

#### 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. In addition, the price of a municipal instrument also depends on the credit quality and ability to meet its credit support obligations of any insurer or other entity providing credit support to a municipal instrument.

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

#### Currency Risk

Changes in currency exchange rates can significantly impact the financial condition of a company or other issuer with exposure to multiple countries. In addition, 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: Blended Research Large Cap Growth Equity, Blended Research Large Cap Value Equity, Blended Research U.S. Core Equity, Core Equity, Core Fixed Income, Core Plus Fixed Income, Domestic Balanced, Growth Equity, Large Cap



Growth, Large Cap Value, Limited Maturity Fixed Income, Mid Cap Growth Equity, Mid Cap Value Equity, Municipal Fixed Income, Research Equity, Small Cap Growth Equity, Technology Equity, U.S. Core High Yield, U.S. Corporate BB Fixed Income, and U.S. Credit.

### 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' 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, or investor perceptions of, issuer, market, economic, industry, political, regulatory, geopolitical, and other conditions. These conditions can affect a single instrument, issuer, or borrower, a particular type of instrument, issuer, or borrower, a segment of the debt markets, or debt markets generally. Certain changes or events, such as political, social or economic developments, including increasing and negative interest rates; government or regulatory actions, including the imposition of tariffs or other protectionist actions and changes in

fiscal, monetary or tax politics; natural disasters; terrorist attacks; war; and other geopolitical changes or events can have a dramatic adverse effect on debt markets and may lead to periods of high volatility and reduced liquidity in a debt market or segment of a debt market.

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

#### 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 (including frontier market investments) can involve additional and greater risks than the risks associated with investment in developed foreign market 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: Blended Research Large Cap Growth Equity, Blended Research Large Cap Value Equity, Blended Research U.S. Core Equity, Core Equity, Core Fixed Income, Core Plus Fixed Income, Domestic Balanced, Growth Equity, Japan Equity, Large Cap Growth, Large Cap Value, Limited Maturity Fixed Income, Mid Cap Growth Equity, Mid Cap Value Equity, Municipal Fixed Income, Research Equity, Small Cap Growth Equity, Technology Equity, U.S. Core High Yield, U.S. Corporate BB Fixed Income, and U.S. Credit.

#### Equity Market Risk

Equity markets can be volatile and can decline significantly in response to, or investor perceptions of, issuer, market, economic, industry, political, regulatory, geopolitical, and other conditions. These

conditions can affect a single issuer or type of security, issuers within a broad market sector, industry or geographic region, or the equity markets 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 changes or events, such as political, social, or economic developments, including increasing or negative interest rates; government or regulatory actions, including the imposition of tariffs or other protectionist actions and changes in fiscal, monetary or tax policies; natural disasters; terrorist attacks; war; and other geopolitical changes or events, can have a dramatic adverse effect on equity markets and may lead to periods of high volatility in an equity market or a segment of an equity market.

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

#### 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. Additionally, on June 23, 2016, the United Kingdom voted via referendum to leave the European Union (“EU”), which may lead to significant market volatility around the world, as well as political, economic, and legal uncertainty.

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 developments, U.S. and foreign government action such as the imposition of currency or capital controls or tariffs, economic and trade sanctions or embargoes, entering or exiting trade or other intergovernmental agreements, 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 and other countries. 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 significantly impact the financial condition of a company or other issuer with exposure to multiple countries as well as 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.

#### Focus Risk – Industry, Sector, Country and Region Focus

Issuers in a single industry, sector, country or region can react similarly to market, economic, political, regulatory, geopolitical, and other conditions. These conditions include business environment changes; economic factors such as fiscal, monetary, and tax policies; inflation and unemployment rates; and government and regulatory changes. The portfolio's performance will be affected by the conditions in the industries, sectors, countries and regions to which the portfolio is exposed.

This represents a principal risk for all mandates except the following: Global Real Estate (for this mandate, please instead see "Focus Risk – Country and Region Focus" and "Real Estate-Related Investment Risk," below), Municipal Fixed Income (for this mandate, please instead see "Focus Risk – National Municipal Mandates," below), Technology Equity (for this mandate, please instead see "Focus Risk – Country and Region Focus" and "Technology Concentration Risk," below), and Utilities (for this mandate, please instead see "Focus Risk – Country and Region Focus" and "Utilities Concentration Risk," below).

### Focus Risk – Country and Region Focus

Issuers in a single country or region can react similarly to market, currency, economic, political, regulatory, geopolitical and other conditions. These conditions include business environment changes; economic factors such as fiscal, monetary and tax policies; inflation and unemployment rates; and government and regulatory changes. A portfolio's performance will be affected by the conditions in the countries or regions to which the portfolio is exposed.

This represents a principal risk for the following mandates: Global Real Estate, Technology Equity, and Utilities.

### 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 U.S. 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: Blended Research Large Cap Growth Equity, Global Growth, Growth Equity, International Growth, Large Cap Growth, Mid Cap Growth Equity, Small Cap Growth Equity, and Technology 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. The price of an instrument trading at a negative interest rate responds to interest rate changes like other debt instruments; however, an instrument purchased at a negative interest rate is expected to produce a negative return if held to maturity.

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

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

MFS' 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 Global Equity, Blended Research Large Cap Growth Equity, Blended Research Large Cap Value Equity, Blended Research U.S. Core Equity, and Low Volatility Global Equity.

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

MFS' 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. 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 or market risk, 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 Global Equity, Blended Research Large Cap Growth Equity, Blended Research Large Cap Value Equity, Blended Research U.S. Core Equity, and Low Volatility Global Equity.

Investment Strategy Risk - Blended Research strategy

There is no assurance that the predicted tracking error of a portfolio managed in this strategy will equal its target predicted tracking error at any point in time or consistently for any period of time, or that a portfolio's predicted tracking error and actual tracking error will be similar. A portfolio's strategy to target a predicted tracking error of approximately 2% compared to the portfolio's index and to blend

fundamental and quantitative research 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 Global Equity, Blended Research Large Cap Growth Equity, Blended Research Large Cap Value Equity, and Blended Research U.S. Core Equity.

#### Investment Strategy Risk – Low Volatility strategy

There is no assurance that a portfolio managed in this strategy will be less volatile than the portfolio's index over the long term or for any year or period of years. A portfolio's strategy to invest in equity securities with historically lower volatility may not produce the intended results 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

If a portfolio invests a significant percentage of the portfolio's assets in a single issuer or small number of issuers, the portfolio's performance will be affected by economic, industry, political, regulatory, geopolitical, and other conditions that impact 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: Emerging Market Debt Local Currency, Global Concentrated Equity, Global Real Estate, International Concentrated Equity, Japan Equity, and Technology 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, including investors trying to sell large quantities of a particular investment or type of investment, or lack of market makers or other buyers for a particular investment or type of investment. At times, all or a significant portion of a 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 prices or times that are not advantageous. The prices of illiquid securities may be more volatile than more liquid investments.

#### 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 changes 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: Core Fixed Income, Core Plus Fixed Income, Domestic Balanced, Global Aggregate Core Plus, Global Aggregate Core, Global Aggregate Opportunistic, Global Balanced, Global Credit, Limited Maturity Fixed Income, Municipal Fixed Income, U.S. Corporate BB Fixed Income and U.S. Credit.

#### Real Estate-Related Investment Risk

The risks of investing in real estate-related investments include certain risks associated with the direct ownership of real estate and the real estate industry in general. These include risks related to 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; the management skill and creditworthiness of the REIT manager; and other factors.

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

#### Small to Medium Cap REIT Risk

Many real estate investment trusts (companies that own, and in many cases operate, income-producing real estate or real estate-related assets) ("REITs"), entities similar to REITs formed under the laws of non-U.S. countries, and other real estate-related issuers tend to be small- to medium-sized issuers in

relation to the equity markets as a whole. The securities of small and medium-sized real estate-related issuers may experience more price volatility, be less liquid, and have more limited financial resources than larger issuers.

The sole mandate for which this represents a principal risk is Global Real Estate.

#### 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 may have shorter operating histories and more limited publicly available information 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 Company 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-Mid Cap Equity.

#### 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 prices 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: Blended Research Large Cap Value Equity, Domestic Balanced, European Value, Global Balanced, Global Value, International Value, Large Cap Value, and Mid Cap Value Equity.

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

On August 31, 2018, Massachusetts Financial Services Company (MFS) settled a matter with the U.S. Securities and Exchange Commission (SEC) related to misstatements and omissions in marketing materials pursuant to which it paid a \$1.9 million penalty and was censured. Specifically, the SEC found that certain marketing materials provided by MFS to institutional clients and prospective institutional clients, investment consultants, and financial intermediaries concerning MFS's Blended Research investment strategies contained material misstatements and omissions. The SEC's findings specifically pertained to a conceptual chart included in the marketing materials that presented the performance of hypothetical buckets of stocks created using quantitative inputs and fundamental inputs. Though MFS labeled the chart as "hypothetical," the SEC found that MFS failed to disclose and/or misrepresented the fact that some of the quantitative data used to create the chart was generated by a retroactive application of MFS's quantitative model (*i.e.*, by "back-testing" the model). As a result of these disclosure issues, the SEC found that MFS violated Section 206(2) and 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-1(a)(5) thereunder, and that it failed to adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act and its rules in violation of Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. MFS neither admitted nor denied the findings in the SEC's settlement order.

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

In addition to being an investment adviser registered with the SEC, MFS is also, with respect to certain MFS pooled products, a commodity trading advisor and commodity pool operator registered with the U.S. 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 Australia, Brazil, Canada, Hong Kong, Japan, Mexico, Portugal, Singapore, and the United Kingdom, as well as MFS Global Group operations in the U.S. 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 organized under the laws of England and Wales, and is regulated by the UK Financial Conduct Authority. MIL UK provides investment research, investment advisory and investment 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, investment advisory and investment 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 and registered with the Financial Services Agency in Japan. MIMKK provides investment research and 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 research and investment advisory services and related distribution services outside the U.S. 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. Although it is registered with all 13 provincial and territorial regulators in Canada, the Ontario Securities Commission serves as MFS Canada's principal regulator. 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 research, investment advisory, and investment management 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 research, investment advisory, and investment management services outside the U.S. 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 and registered with the Luxembourg Commission de Surveillance du Secteur Financier. MFS Lux provides management, administration, and distribution services outside the U.S. 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, licensed and regulated by the Hong Kong Securities and Futures Commission. MIL HK provides investment advisory and marketing support services outside the U.S. As a Participating Affiliate within the MFS Global Group, MIL HK also provides investment advisory services outside the U.S. 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 is licensed and regulated by the Monetary Authority of Singapore. MFSI Singapore holds a Capital Markets Services License and provides investment management, investment research, investment advisory, and distribution related services outside the U.S. 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 research, investment advisory, and investment management services outside the U.S. 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 Australia.** MFSI Australia is an indirect, wholly-owned subsidiary of MFS organized as a proprietary limited liability company under Australian law. MFSI Australia is licensed and regulated by the Australian Securities and Investments Commission, holds an Australian Financial Services License and provides investment management, investment research,

investment advisory, and distribution related services, for institutional separate accounts and pooled investment vehicles in Australia for which MFS and/or its affiliates may act as sub-adviser. As a Participating Affiliate within the MFS Global Group, MFSI Australia also provides investment research and investment advisory services outside the U.S. 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 President of MFS—Carol Geremia—is also a registered representative of MFD. The agreements under which MFD serves as distributor are subject to annual approval by the independent trustees of the MFS Funds.

#### MFS Heritage Trust Company (“MHTC”)

MHTC, a wholly-owned subsidiary of MFS, is a New Hampshire-chartered 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 retirement plan investors. MFSI provides client introductions and client servicing support to MHTC for its collective investment trusts.

#### 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 U.S. 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 relevant 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.

Currently, another MFS Global Group member 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, and may have an incentive to favor such portfolios. Please refer to Item 12, *Brokerage Practices*, for a discussion of the manner in which MFS addresses such potential conflicts of interest.

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 based on the facts of each case: (i) in cases of investment of proprietary assets, the MFS Global Group member has an incentive to favor its investments to maximize its return; (ii) where a portfolio manager investment in such portfolios, the portfolio manager has an incentive to favor portfolios in which he/she is invested in order to maximize the return of his/her investment; and (iii) in cases of investment by officers and employees of MFS or its affiliates, the MFS Global Group member has an incentive to favor the personal investments of its employees and officers. 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"). 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. Although trading by MFS Pilot Funds are not restricted to the same degree as trading by Access Persons as discussed below, MFS addresses such potential conflicts of interest by subjecting an MFS Pilot Fund 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.

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. MFS has implemented policies and procedures designed to identify such conflicts of interest when they occur and address them by, among other things, ensuring that no portfolio manager is responsible for making investment decisions with respect to more than one such category.

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/Personal Investing Policy**

The MFS Investment Management Code of Ethics/Personal Investing Policy (the "Policy") and the MFS Code of Business Conduct (together, the "Policies") include 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 Policies is to ensure that we always act in the best interests of our clients. Accordingly, in governing the personal trading of MFS employees, including officers and directors, the Policies require them to always place client interests ahead of their own and to never (i) take advantage of their position to misappropriate investment opportunities from clients; (ii) seek to defraud a client or do anything that could have the effect of creating fraud or manipulation; or (iii) mislead a client. 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. 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 Policies, or other policies of MFS.

In addition, employees deemed to be Access Persons (which, as defined in the Policy, includes, among others, all investment personnel) must receive pre-clearance authorization to execute transactions in designated 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. 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 at least annually that they have complied with the terms of the Policies. Violations of the Policies are reviewed with the MFS committee charged with oversight of the Policies, which determines appropriate disciplinary action that may be taken for violations. Disciplinary action includes, but is not limited to, written warnings, restrictions on personal trading, profit disgorgement, and/or termination of employment.

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

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 Policies 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. 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, with limited exceptions permitted by law. 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 issued by 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 based on an order that was not properly communicated by the portfolio manager for execution in the manner in which the portfolio manager intended that it be communicated, a trade communicated correctly by the portfolio manager that is not executed in the manner that the portfolio manager intended that it be executed, or a trade that causes a client portfolio to violate client guidelines or applicable law (collectively, "Trade Errors"). The purpose of the Trade Error Policy is to implement the fiduciary obligation to identify and compensate clients for losses resulting from a Trade Error in an expeditious manner. Trade Errors are reported to MFS' 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. In certain circumstances brokerage practices may be varied by specific direction of the client, as discussed below. 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. Under such circumstances, MFS sometimes requires a client 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 U.S., 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. Foreign 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 instruments 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. Depending upon whether an account is managed in whole or in part in the EU, MFS may take the following factors into account:

| Account managed in whole or in part in the EU   | Account not managed in the EU   |
|---|---|
| <ul style="list-style-type: none"><li>• price</li><li>• size of transaction</li><li>• nature of market or the security</li><li>• amount of the commission</li><li>• timing and impact of the transaction, considering market prices and trends</li><li>• reputation, experience and stability of the broker involved</li><li>• willingness of the broker to commit capital</li><li>• need for anonymity in the market</li><li>• the quality of services rendered by the broker in other transactions (but not including research or brokerage services)</li></ul> | <ul style="list-style-type: none"><li>• price</li><li>• size of transaction</li><li>• nature of market or the security</li><li>• amount of the commission</li><li>• timing and impact of the transaction, considering market prices and trends</li><li>• reputation, experience and stability of the broker involved</li><li>• willingness of the broker to commit capital</li><li>• need for anonymity in the market</li><li>• 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</li></ul> |

In seeking best execution, MFS is not required to 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 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. 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. With respect to transactions in derivatives, MFS trades only with brokers with whom it has legally-required or client-requested documentation in place.

In the case of instruments 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 ATs), 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"**

For accounts managed in whole or in part in the EU, MFS will pay for external research out of its own resources. In allocating brokerage for accounts not managed in whole or in part in the EU, 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. The MFS Global Group has voluntarily undertaken to reimburse clients from its own resources for Research Commissions, as defined below. "Commissions," as currently interpreted by the SEC, include fees paid to brokers for trades conducted on an agency basis, and certain mark-ups, mark-downs, commission equivalents and other fees received by dealers in riskless principal transactions as well as any separately identifiable charge for brokerage and research services collected together with the transaction charge for execution in connection with the purchase and sale of portfolio securities. "Research Commissions" represents the portion of Commissions 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.

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; 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 investment professionals utilize Research to help develop their own investment ideas as well as to help understand market consensus, sentiment or perception, and identify relative inefficiencies more quickly and effectively. Research is one of the many tools that helps MFS investment professionals either corroborate or challenge MFS' investment theses.

The MFS global investment platform is built on the principle of close collaboration among members of its investment team, where research and investment ideas are shared. Research is one of many tools MFS uses to either corroborate or challenge investment professionals' individual investment theses in clients' portfolios. Specifically, Research can be useful in helping investment professionals understand current market consensus and sentiment.

Through the use of Research acquired with Research Commissions, MFS initially 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 in the first instance than if MFS caused clients to pay execution only rates, however, because the MFS Global Group has voluntarily undertaken to reimburse clients from its own resources for Research Commissions, MFS ultimately assumes the additional expenses that it would incur if it purchased such Research with its own resources. To the extent that MFS were to determine to discontinue its voluntary undertaking, it 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 client portfolios 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 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 portfolio over time and that no portfolio of MFSI, MFS, or other MFS Global Group member is improperly favored over any other portfolio over time. When two or more portfolios 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 for equity securities and equity derivatives 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, (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, "Equity 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 for an equity security or equity derivative as a result of MFS' implementation of non-*pro rata* allocations in response to one or more Equity Deviation Reasons.

Also under these policies, investment opportunities for fixed income securities and fixed income derivatives are generally allocated 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) so that similarly-managed portfolios have or will have similar portfolio characteristics. In making allocations of investment opportunities, MFS permits allocations to be weighted (*i.e.*, other than based on the value of each portfolio's existing assets so that similarly-managed portfolios have or will have similar portfolio characteristics) to account for (a) cash availability and expected flows for similarly managed portfolios, (b) prospectus restrictions, portfolio guideline restrictions or other restrictions and (c) tax reasons (collectively, "Fixed Income Deviation Reasons"). It will not be a violation of MFS' trade allocation policies if similarly managed portfolios are not allocated a portion of an investment opportunity so that similarly-managed portfolios have or will have similar portfolio characteristics in response to one or more Fixed Income Deviation Reasons.

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 MFS Global Group's Investment Management Committee ("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.

With respect to 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"), the policy is generally intended to ensure that the opportunity to invest in a Fixed Income Limited Offering is made available on equal terms among similarly managed portfolios. MFS allocates investment opportunities for Fixed Income Limited Offerings among similarly managed portfolios in the same manner as investment opportunities are allocated for fixed income securities in the secondary market as described above. When MFS receives the full amount of its total indication, each portfolio will receive the full amount of the securities indicated for that portfolio. In situations where MFS receives less than its full indication of Fixed Income Limited Offerings, an initial allocation equal to the security's stated minimum denomination is made to each participating portfolio unless there is a shortfall (a shortfall occurs when the total allocation to MFS represents less than the security's minimum denomination times the number of portfolios that place an order for the issue). When a shortfall occurs, a random allocation of the security's minimum denomination will take place. Once this initial allocation takes place, the remaining securities are allocated on a *pro-rata* basis based on order size across all remaining orders. Those portfolios whose *pro rata* share would have been less than the security's minimum denomination will not receive any additional securities beyond the initial minimum denomination allocation.

Exceptions to the Equity Limited Offering and Fixed Income Limited Offering allocation guidelines may be made in limited circumstances. One circumstance that can arise for Equity Limited Offerings where an exception may be warranted involves instances in which a *pro rata* allocation would result in a portfolio being allocated less than the minimum board lot or minimum denomination of a security (or other applicable minimum lot size of the offering). Under this scenario, the portfolio will receive no allocation if the *pro rata* allocation was less than 50% of the minimum board lot or minimum denomination. If a *pro rata* allocation would have resulted in the portfolio receiving at least 50% of the minimum board lot or minimum denomination of the Equity Limited Offering through a *pro rata* allocation, the portfolio will receive the minimum board lot or 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: (i) where necessary to allow for reasonable rounding of allocations; and (ii) 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: (i) PPM portfolios; or (ii) 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

(i) to counterbalance disparities in positions or portfolio characteristics in the similarly managed portfolios if those disparities cause the portfolios to lack similar portfolio characteristics, (ii) to account for cash availability and expected flow for the similarly managed portfolios, (iii) prospectus restrictions, account guideline restrictions or other restrictions, or (iv) 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 believes are eligible 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 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 execution costs, including commissions, are generally allocated among portfolios *pro rata* based on the amount of each client portfolio's order. That portion of transaction costs relating to Research Commissions may be allocated otherwise than *pro rata*, provided that the payment for Research Commissions in connection with the aggregated order is consistent with the regulatory requirements applicable to each client portfolio and disclosures to the relevant client portfolio (Research Commissions are discussed more in detail above in this Item 12 under the caption "*Soft Dollars*").

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 that the Rating Event is imminent 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 (i) 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, (ii) the client has directed its brokerage to a particular broker (other than the one through which the aggregated trade is to be executed), (iii) MFS is prohibited by a client from executing trades with brokers other than brokers that the client has specifically approved for its portfolio, or (iv) MFS is prohibited by a client from utilizing a specific broker or venue, such trades may be segregated from other client trades executed through such brokers or venues. 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 seek to 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 or venue selected by MFS for executing other clients' orders for the same securities 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 or because the client has prohibited that particular broker or venue 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 certain 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 the same type of transaction entered into for other clients 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 Investment 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 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 U.S. 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 U.S., 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 generally does not have custody of client funds or securities because it does not hold or have authority to obtain possession of such funds or securities. MFS may be deemed to have custody under the Advisers Act, however, over certain MFS Global Group-sponsored private funds and offshore funds. 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.

Clients should review any statements received from MFS or a custodian carefully, and to the extent they receive statements from both MFS and a custodian, they are urged to compare such statements carefully.

## *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 a client fails to any extent 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 fully 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. One reason why MFS may vote differently is if 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.

A copy of our proxy voting policies may be obtained by visiting [mfs.com/proxy voting](https://mfs.com/proxy-voting). 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, and the position taken with respect to each issue. A client may also request a report identifying any situations in which MFS may not have voted in accordance with specific guidelines of its proxy voting policies and procedures with respect to the client's portfolio.

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

Not Applicable.



## *Privacy Policy*

**FACTS****WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?****Why?**

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

**What?**

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

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

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

**How?**

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

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

**Questions?**

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

## Who we are

|                                      |   |
|--------------------------------------|---|
| <b>Who is providing this notice?</b> | MFS Funds, MFS Investment Management, MFS Institutional Advisors, Inc., and MFS Heritage Trust Company. |
|--------------------------------------|---|

## What we do

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

## Definitions

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

## Other important information

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