

## 5 Things About Prudent Investing

### 1. Being prudent means being risk-aware, not risk-averse

Clients' capital is precious. The permanent loss of capital is the biggest risk to investors. Markets fluctuate and cautiously navigating storms gives you a greater chance to still be afloat when it abates. That's why a prudent investor focuses on growing real capital through a market cycle, not on taking outsized risks to maximize short-term returns.

### 2. Being prudent means remaining disciplined in the face of euphoria

Investors are human and humans are emotional, so overexcitement can occur. When investment euphoria occurs in the face of cheap funding, a growing global economy or stable geopolitics, markets can get "frothy". However, froth eventually fades, and a prudent investor remains prepared to seize opportunities when they arise.

### 3. Being prudent means controlling what you can

Accurately predicting the economic cycle and what it means for asset prices on a continual basis is extremely difficult. Prudent investors understand this, so aim to control only what they can – what goes into their portfolio and the price they pay for these assets.

### 4. Being prudent means learning from the past

Admitting mistakes is hard, learning from them is easy. A prudent investor puts capital to work cautiously, so high valuations raise alarm bells. Sometimes, hindsight shows that a thesis was flawed. When that happens, it's time to admit the mistake and make it right as quickly as possible.

### 5. Being prudent means actively pursuing opportunities

Stillness does not imply inactivity. While a prudent investor may be defensively positioned in the face of market risks or elevated valuations, it does not mean they are sitting still. Preserving capital in liquid, high-quality fixed income allows the prudent investor to generate a return and move quickly into equity when risks dissipate, or valuations change.

To learn more about our prudent strategies, please contact your local MFS representative or visit [mfs.com](https://mfs.com).



Investments in debt instruments may decline in value as the result of, or perception of, declines in the credit quality of the issuer, borrower, counterparty, or other entity responsible for payment, underlying collateral, or changes in economic, political, issuer-specific, or other conditions. Certain types of debt instruments can be more sensitive to these factors and therefore more volatile. In addition, debt instruments entail interest rate risk (as interest rates rise, prices usually fall). Therefore, the portfolio's value may decline during rising rates.

The views expressed are those of the author(s) and are subject to change at any time. These views are for informational purposes only and should not be relied upon as a recommendation to purchase any security or as a solicitation or investment advice. No forecasts can be guaranteed. Past performance is no guarantee of future results.

Issued in the **United States** by MFS Institutional Advisors, Inc., a U.S.-based investment advisor and subsidiary of Massachusetts Financial Services Company ("MFS"). Issued in **Canada** by MFS Investment Management Canada Limited. MFS Institutional Advisors, Inc. provides certain sub-advisory services to all MFS Investment Management Canada Limited portfolios, including discretionary investment management for non-Canadian portfolios or components of portfolios. Pursuant to a sub-advisory agreement executed between MFS Institutional Advisors, Inc. and MFS Investment Management Canada Limited, MFS provides investment advice pursuant to statutory exemptions or regulatory relief, as applicable. Such advice is being rendered outside of Canada and certain members of the team may not be registered in any capacity with any Canadian securities regulatory authority. **Note to UK and Switzerland readers:** Issued in the UK and Switzerland by MFS International (U.K.) Limited ("MIL UK"), a private limited company registered in England and Wales with the company number 03062718, and authorised and regulated in the conduct of investment business by the UK Financial Conduct Authority. MIL UK, an indirect subsidiary of MFS®, has its registered office at One Carter Lane, London, EC4V 5ER. **Note to Europe (ex UK and Switzerland) readers:** Issued in Europe by MFS Investment Management (Lux) S.à r.l. (MFS Lux) – authorized under Luxembourg law as a management company for Funds domiciled in Luxembourg and which both provide products and investment services to institutional investors and is registered office is at S.a r.l. 4 Rue Albert Borschette, Luxembourg L-1246. Tel: 352 2826 12800. This material shall not be circulated or distributed to any person other than to professional investors (as permitted by local regulations) and should not be relied upon or distributed to persons where such reliance or distribution would be contrary to local regulation. Issued in **Hong Kong** by MFS International (Hong Kong) Limited ("MIL HK"), a private limited company licensed and regulated by the Hong Kong Securities and Futures Commission (the "SFC"). MIL HK is a wholly-owned, indirect subsidiary of Massachusetts Financial Services Company, a US based investment adviser and fund sponsor registered with the US Securities and Exchange Commission. MIL HK is approved to engage in dealing in securities and asset management regulated activities and may provide certain investment services to "professional investors" as defined in the Securities and Futures Ordinance ("SFO"). Issued in **Singapore** by MFS International Singapore Pte. Ltd., a private limited company registered in Singapore with the company number 201228809M, and further licensed and regulated by the Monetary Authority of Singapore. Issued in **Japan**: MFS Investment Management K.K., is registered as a Financial Instruments Business Operator, Kanto Local Finance Bureau (FIBO) No.312, a member of the Investment Trust Association, Japan and the Japan Investment Advisers Association. As fees to be borne by investors vary depending upon circumstances such as products, services, investment period and market conditions, the total amount nor the calculation methods cannot be disclosed in advance. All investments involve risks, including market fluctuation and investors may lose the principal amount invested. Investors should obtain and read the prospectus and/or document set forth in Article 37-3 of Financial Instruments and Exchange Act carefully before making the investments. **For professional investors in Australia:** MFS International Australia Pty Ltd ("MFS Australia") (ABN 68 607 579 537) holds an Australian financial services licence number 485343. MFS Australia is regulated by the Australian Securities and Investments Commission. **For Professional Investors in China** – MFS Financial Management Consulting (Shanghai) Co., Ltd. 2801-12, 28th Floor, 100 Century Avenue, Shanghai World Financial Center, Shanghai Pilot Free Trade Zone, 200120, China, a Chinese limited liability company registered to provide financial management consulting services. This material is directed at investment professionals for general information use only with no consideration given to the specific investment objective, financial situation and particular needs of any specific person. Any securities and/or sectors mentioned herein are for illustration purposes and should not be construed as a recommendation for investment. Investment involves risk. Past performance is not indicative of future performance. The information contained herein may not be copied, reproduced or redistributed without the express consent of MFS Investment Management ("MFS"). While the information is believed to be accurate, it may be subject to change without notice. MFS does not warrant or represent that it is free from errors or omissions or that the information is suitable for any particular person's intended use. Except in so far as any liability under any law cannot be excluded, MFS does not accept liability for any inaccuracy or for the investment decisions or any other actions taken by any person on the basis of the material included. MFS does not authorise distribution to retail investors.

Unless otherwise indicated, logos, product and services names are trademarks of MFS and its affiliates and may be registered in certain countries