



For Immediate Release

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U.S. INVESTMENT PROFESSIONALS SEE OPPORTUNITY ACROSS ASSET CLASSES DESPITE AN INCREASINGLY UNCERTAIN GLOBAL ECONOMY, MFS SURVEY FINDS

BOSTON – November 15, 2023 – With economic and geopolitical uncertainty on the rise, US investment professionals polled by MFS have increased their exposure to low-risk assets while seeking more diversified portfolios, according to the 2023 MFS® Asset Allocation Survey.

After a year in which inflation concerns took center stage, the survey's respondents are now shifting their focus to other global risks, including the possibility that higher interest rates will push the economy into recession or that geopolitical instability will adversely affect markets. Around half of respondents believe a mild economic contraction is somewhat to very likely over the next year.

This is leading them to take a more risk-aware and diversified approach. Within fixed income, as the US Federal Reserve nears the end of its rate hiking cycle, over half of respondents (52%) have raised duration in their bond holdings. With rising yields making fixed income more attractive, nearly one in three expect to augment their allocations to US credit over the coming year, and roughly a quarter are looking to increase their allocations to emerging market debt.

While short-term bond yields have been attractive over the past year, 28% of respondents indicate they intend to decrease their exposure to limited maturity fixed income, a sign that some are looking to get cash "off the sidelines" and invested in the market.

"Recent actions taken to de-risk portfolios are understandable as we believe the full effects of higher interest rates have yet to be felt," said Jonathan Barry, managing director of the MFS Investment Solutions group. "That said, higher rates make fixed income more attractive now, and our survey shows that investors see opportunities across a number of asset classes."

Within equities, over the next 12 months respondents expect to boost their exposure to areas of the stock market they consider undervalued, such as US small- and mid-cap stocks (by 43% and 28%, respectively), and 60% of respondents believe these stocks will outperform large-cap stocks over the next one to three years.

Respondents are also looking to allocate outside of the United States, with 37% expecting to grow their allocations to international equities and 27% looking to grow their allocations to emerging market equities.

These changes are likely to come at the expense of US large-cap and growth stocks, with 21% of investment professionals say they will decrease their exposure to both over the next 12 months.

Respondents have a favorable outlook for quality (companies with low debt, stable earnings and consistent growth) and value factors. This contrasts with a more cautious outlook for both growth and momentum factors.

Among alternatives, over the coming year one-quarter of respondents plan to boost their weighting to infrastructure, an asset class often associated with predictable cash flows, while about one in five expect to up their exposure to private equity and debt.

Meanwhile, with a more complex market environment ahead, 32% of respondents are expanding their use of active strategies while 62% are maintaining their exposure to active management.

“Being mindful of risks and valuations while seeking portfolio diversification makes sense at this stage of the cycle,” said Barry. “We believe a proper balance across regions, sectors, styles and duration can be an effective way to guard against market risks.”

Methodology

MFS conducted a study among investment professionals and asset allocators in the US between May 31 and June 5, 2023. Respondents work in a variety of institutions and firm types, with representative firm assets under management ranging from under \$1 billion to greater than \$1 trillion. A total of 112 individuals participated in the survey.

About MFS Investment Management

In 1924, MFS launched the first US open-end mutual fund, opening the door to the markets for millions of everyday investors. Today, as a full-service global investment manager serving financial advisors, intermediaries and institutional clients, MFS still serves a single purpose: to create long-term value for clients by allocating capital responsibly. That takes our powerful investment approach combining collective expertise, thoughtful risk management and long-term discipline. Supported by our culture of shared values and collaboration, our teams of diverse thinkers actively debate ideas and assess material risks to uncover what we believe are the best investment opportunities in the market. As of October 31, 2023, MFS had approximately US\$538.9 billion in assets under management.

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