

# MFS® Emerging Markets Local Currency Debt (USD)



## Goal

Seeks to outperform the JPMorgan GBI EM Global Diversified in both up and down markets and over full market cycles.

## Investment team

### Portfolio Managers

#### Neeraj Arora, CFA

- 13 years with MFS
- 19 years in industry

#### Ward Brown, CFA, Ph.D.

- 19 years with MFS
- 28 years in industry

#### Matt Ryan, CFA

- 27 years with MFS
- 37 years in industry

### Institutional Portfolio Manager

#### Katrina Uzun

- 6 years with MFS
- 23 years in industry

Effective April 30, 2024, Matt Ryan will no longer manage the portfolio.

Effective March 31, 2023 Neeraj Arora will join the portfolio management team.

## Assets under management (USD)

MFS Investment Management® 626.1 billion

MFS® Emerging Markets Local Currency Debt Composite 546.6 million

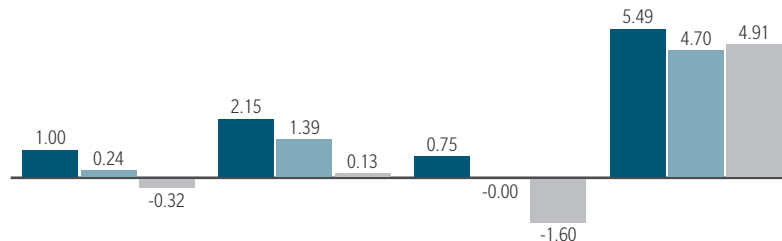
## Philosophy

We seek to exploit inefficiencies in EM local markets by applying a disciplined, fundamental investment process to identify, interpret, and isolate country-specific opportunities. Certain unwanted global risk factors are hedged to help focus alpha on country-specific risk.

## Performance (%) total return

- MFS (gross of fees)
- MFS (net of fees)
- JPMorgan Government Bond Index Emerging Markets Global Diversified

For periods of less than one-year returns are not annualized.



	10 Years	5 Years	3 Years	1 Year
Gross vs. JPMorgan Government Bond Index Emerging Markets Global Diversified	1.32	2.02	2.35	0.58
Net vs. JPMorgan Government Bond Index Emerging Markets Global Diversified	0.56	1.26	1.60	-0.21

## Annual performance (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 YTD
MFS (gross of fees)	-3.56	-15.85	10.74	15.56	-5.24	16.92	3.59	-7.17	-8.30	14.73	-2.49
MFS (net of fees)	-4.22	-16.51	9.92	14.70	-5.96	16.04	2.81	-7.87	-8.99	13.88	-2.68
JPMorgan Government Bond Index Emerging Markets Global Diversified	-5.72	-14.92	9.94	15.21	-6.21	13.47	2.69	-8.75	-11.69	12.70	-2.12

## MIFID II performance standard – 12-month rates of total return (%) as of the period ended

	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24
MFS (gross of fees)	-8.42	18.77	-3.86	0.84	5.49
MFS (net of fees)	-9.12	17.88	-4.59	0.09	4.70
JPMorgan Government Bond Index Emerging Markets Global Diversified	-6.52	13.03	-8.53	-0.72	4.91

**Past performance is not a reliable indicator for future results. All financial investments involve an element of risk. The value of investments may rise and fall so you may get back less than originally invested.** Investors should consider the risks, including lower returns, related to currency movements between their investing currency and the portfolio's base currency, if different.

See the GIPS Composite Report at the end of this presentation for performance methodology and other information.

The Markets in Financial Instruments Directive (MIFID) is the EU legislation that regulates firms who provide services to clients linked to financial instruments.

Source: Benchmark performance from SPAR, FactSet Research Systems Inc.

It is not possible to invest directly in an index. Index performance will differ from our actively managed strategies, which may involve a higher degree of risk.

Total gross of fee returns include both capital appreciation and reinvestment of income but exclude custody fees.

CHARACTERISTICS		
	MFS	JPMorgan GBI EM Global Diversified
<b>Fundamentals</b>		
Yield to worst <sup>1</sup>	7.4%	6.3%
Average effective duration	6.3yrs	5.0yrs
Average spread duration	6.2yrs	0.0yrs
Average quality <sup>2,c</sup>	BBB-	Baa1/BBB+/BBB
<b>Diversification</b>		
Number of Issues	103	—
Number of Issuers	46	—
Number of countries	27	18
<b>Turnover</b>		
Trailing 1 year turnover <sup>3</sup>	98%	—
<b>Risk/reward (5 year)</b>		
	<b>Gross/Net</b>	
Standard deviation	12.95%/	11.50%
	12.95%	
Historical tracking error	2.64%/	—
	2.64%	
Beta	1.11/	—
	1.11	
Information ratio	0.77/	—
	0.48	
Alpha	2.12%/	—
	1.36%	
<b>CREDIT QUALITY (%)<sup>c</sup></b>		
AA		4.5
A		10.8
BBB		42.7
BB		21.1
B		2.0
CCC and Below		0.5
Other Not Rated		60.0
Cash & Cash Equivalents*		-41.6

TOP CURRENCY WEIGHTS (%)	
	MFS
Indonesian Rupiah	12.0
Mexican Peso	10.8
Brazilian Real	10.5
Malaysian Ringgit	10.0
Thailand Baht	8.8

EM REGION WEIGHTS (%)		
	MFS	JPMorgan GBI EM Global Diversified
Latin America	52.3	29.1
Europe	38.8	22.9
Asia	29.2	39.8
Africa	6.8	8.2
Developed*	-27.1	—

TOP EM COUNTRY WEIGHTS (%)		
	MFS	JPMorgan GBI EM Global Diversified
Czech Republic	21.5	6.5
Brazil	19.6	10.0
Mexico	15.5	10.0
Colombia	9.2	4.8
Indonesia	8.4	10.0
Thailand	7.1	9.8
Hungary	7.0	3.0
South Africa	6.0	8.2
Malaysia	5.9	10.0
Poland	5.2	7.9

PORTFOLIO STRUCTURE (%)	
Bonds	141.9
Cash & Cash Equivalents	6.2
Stocks	-0.3
Other <sup>‡</sup>	-47.8

\* Short positions, unlike long positions, lose value if the underlying asset gains value.

<sup>1</sup> Weighted average yield-to-worst of all portfolio holdings excluding cash & derivatives. Yield-to-worst is the annual estimate of the portfolio yield considering factors such as call provisions, prepayments, and other features that may affect a bond's cash flow; and assumes no default. It is an estimated characteristic at a point in time and is not a measure of portfolio performance.

<sup>2</sup> The Average Credit Quality (ACQR) is a market weighted average (using a linear scale) of securities included in the rating categories.

<sup>3</sup> US Turnover Methodology: (Lesser of Purchase or Sales)/Average Month End Market Value

<sup>c</sup> For all securities other than those described below, ratings are assigned utilizing ratings from Moody's, Fitch, and Standard & Poor's and applying the following hierarchy: If all three agencies provide a rating, the consensus rating is assigned if applicable or the middle rating if not; if two of the three agencies rate a security, the lower of the two is assigned. If none of the 3 Rating Agencies above assign a rating, but the security is rated by DBRS Morningstar, then the DBRS Morningstar rating is assigned. If none of the 4 rating agencies listed above rate the security, but the security is rated by the Kroll Bond Rating Agency (KBRA), then the KBRA rating is assigned. Other Not Rated includes other fixed income securities not rated by any rating agency. Ratings are shown in the S&P and Fitch scale (e.g., AAA). All ratings are subject to change. The portfolio itself has not been rated by any rating agency. The credit quality of a particular security or group of securities does not ensure the stability or safety of an overall portfolio. The quality ratings of individual issues/issuers are provided to indicate the credit-worthiness of such issues/ issuer and generally range from AAA, Aaa, or AAA (highest) to D, C, or D (lowest) for S&P, Moody's, and Fitch respectively. The index rating methodology may differ.

<sup>‡</sup> Other consists of: (i) currency derivatives and/or (ii) any derivative offsets.

Portfolio characteristics are based on equivalent exposure, which measures how a portfolio's value would change due to price changes in an asset held either directly or, in the case of a derivative contract, indirectly. The market value of the holding may differ.

MFS has not independently verified benchmark data provided by the vendor or the underlying methodology, which may be different than MFS.

The information presented is based on an account determined to be representative of the composite's strategy. The representative account's performance is available upon request.

Any mention of specific companies, securities and/or sectors are for information purposes only and should not be construed as investment advice or a recommendation of any nature.

### Important risk considerations

Emerging markets can have less market structure, depth, and regulatory, custodial or operational oversight and greater political, social, geopolitical and economic instability than developed markets. ■ 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.

### Benchmark and vendor disclosures

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**Composite:** MFS Emerging Markets Local Currency Debt Composite

**Benchmark:** JPMorgan GBI EM Global Div Index - Total Return

**Creation Date:** 21-Nov-2008

**Inception Date:** 01-Nov-2006

**Composite Description:** The MFS Emerging Markets Local Currency Debt Composite includes all discretionary portfolios managed to the MFS Emerging Markets Local Currency Debt strategy that seek to outperform the JP Morgan GBI Emerging Markets Global Diversified Index in both up and down markets over full market cycles. The strategy invests primarily in a diversified portfolio of emerging markets local currency denominated sovereign debt securities and currencies. Emerging markets can have less market structure, depth, and regulatory, custodial or operational oversight and greater political, social, geopolitical and economic instability than developed markets. 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.

**Institutional Separate Accounts Fee Schedule**

Asset Breakpoints (USD)	Fee
For Assets Up To 50 MM	45 bp
For Assets From 50 MM To 100 MM	40 bp
For Assets Over 100 MM	37.50 bp

Accounts are eligible for inclusion in the composite if they have assets greater than 15 MM USD. Accounts are included as of their second full month of performance.

**Derivative Exposure Disclosure**

Period	Composite and Benchmark Return %			Composite Dispersion	Accounts in Composite at End of Period	Annualized 3-Year Standard Deviation		Assets (USD million)	
	Gross of fees	Net of fees^	Benchmark			Composite	Benchmark	Composite	Firm
2023	14.73	13.88	12.70	n/a	<6	11.15	10.86	\$553.2	\$575,589.7
2022	-8.30	-8.99	-11.69	n/a	<6	14.07	12.39	\$488.7	\$527,229.5
2021	-7.17	-7.87	-8.75	n/a	<6	13.63	11.53	\$496.3	\$674,375.8
2020	3.59	2.81	2.69	n/a	<6	14.59	12.50	\$449.0	\$599,076.3
2019	16.92	16.04	13.47	n/a	<6	9.70	9.33	\$416.9	\$518,568.9
2018	-5.24	-5.96	-6.21	n/a	<6	11.14	11.25	\$362.4	\$426,543.5
2017	15.56	14.70	15.21	n/a	<6	11.15	11.02	\$379.3	\$491,012.9
2016	10.74	9.92	9.94	n/a	<6	12.33	12.14	\$342.3	\$425,539.8
2015	-15.85	-16.51	-14.92	n/a	<6	11.12	10.50	\$338.8	\$412,412.4
2014	-3.56	-4.22	-5.72	n/a	<6	12.07	11.93	\$456.4	\$430,214.0

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Total Gross of fee returns in USD (includes both capital appreciation and reinvestment of income) are net of transaction costs, withholding taxes and direct expenses, but before management fees, custody and other indirect expenses. Typical separate accounts utilize 4:00 PM (London Time) foreign exchange rates; retail products will use rates deemed most appropriate for daily NAV per share calculations. The possibility exists for performance dispersion between otherwise similarly managed accounts and also with the benchmark.

Net of fee returns presented in this table are gross of fee returns reduced by management fees and performance fees if applicable (actual fees). For certain accounts where the actual fees are unavailable, the maximum applicable annual institutional separate account fees were applied. Total returns of the benchmark are provided for each period depicted, expressed in USD. Source of Benchmark Performance: FACTSET ®.

JP Morgan GBI EM Global Div Index - Total Return - is a market capitalization weighted index that is designed to measure the performance of local currency government bonds issued in emerging markets. The index includes only the countries which give access to their capital market to foreign investors; it therefore excludes China, India, and Thailand. Individual country weights in the index are limited to 10% in order for the index to remain fully diversified.

Composite Dispersion is measured by the asset-weighted standard deviation of gross of fees account returns for all accounts in the composite for the full period. For composites containing less than six accounts for the full period, dispersion is deemed not meaningful and is not presented. The three-year annualized ex post standard deviation measures the variability of the gross of fees composite returns and the benchmark returns over the preceding 36-month period.

The composite asset minimum changed from 20MM USD to 15MM USD effective 1-Nov-2022.

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The firm's list of composite descriptions, list of pooled fund descriptions for limited distribution pooled funds, and list of broad distribution pooled funds are available upon request. Additionally, policies for valuing investment, calculating performance, and preparing GIPS Reports are available upon request.



Certain accounts in this composite utilize derivatives for hedging, investment exposure, implementation efficiency, and transaction cost mitigation purposes. Derivative exposures can be volatile, used to take long or short positions, involve leverage (which can magnify gains or losses), and involve counterparty and liquidity risk. The table below displays the high, median, and low month-end derivative exposures over the last three years, when available or since inception if the composite is less than three years old. Derivative exposure of the account is calculated as the gross equivalent exposure of total net assets. The derivative exposures, displayed below, are the average exposures of the accounts that held derivatives.

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LONG EXPOSURE		SHORT EXPOSURE	
High	174.29%	High	-179.24%
Median	107.32%	Median	-107.74%
Low	70.01%	Low	-67.96%