

A horizontal decorative bar with a red-to-maroon gradient, starting with a geometric, faceted shape on the left and transitioning into a solid red line.

# MFS® Value Fund

(Class R6 Shares)

First quarter 2024 investment report

**NOT FDIC INSURED MAY LOSE VALUE NOT A DEPOSIT**

Before investing, consider the fund's investment objectives, risks, charges, and expenses. For a prospectus, or summary prospectus, containing this and other information, contact MFS or view online at [mfs.com](https://mfs.com). Please read it carefully.

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PRPEQ-EIF-31-Mar-24

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Performance and attribution results are for the fund or share class depicted and do not reflect the impact of your contributions and withdrawals. Your personal performance results may differ.

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.

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PRPEQ-EIF-31-Mar-24

## Fund Risks



The fund may not achieve its objective and/or you could lose money on your investment in the fund.

**Stock:** Stock markets and investments in individual stocks are volatile and can decline significantly in response to or investor perception of, issuer, market, economic, industry, political, regulatory, geopolitical, environmental, public health, and other conditions.

**Value:** The portfolio's investments can continue to be undervalued for long periods of time, not realize their expected value, and be more volatile than the stock market in general.

Please see the prospectus for further information on these and other risk considerations.

# Disciplined Investment Approach



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<b>Investment Objective</b>	Seeks capital appreciation
<b>Goals</b>	<ul style="list-style-type: none"><li>▪ Outperform the Russell 1000® Value Index over full market cycles</li><li>▪ Achieve a competitive ranking in relevant peer universes over full market cycles</li></ul>
<b>Philosophy</b>	<p>The tenets of our investment philosophy are based upon the following beliefs:</p> <ul style="list-style-type: none"><li>▪ Durability of some businesses and the duration of high returns are often underappreciated</li><li>▪ Applying a disciplined valuation framework in all environments can be a critical source of downside risk mitigation and alpha generation</li><li>▪ Owning durable businesses with strong returns bought at attractive valuations with a long-term horizon can allow for compounding returns over time</li></ul>
<b>Strategy</b>	<ul style="list-style-type: none"><li>▪ We leverage our bottom-up, global research platform to try to identify attractively valued, high quality companies that over the long term:<ul style="list-style-type: none"><li>• Have business durability</li><li>• Exhibit strong financial characteristics</li><li>• Are managed in a sustainable way and are effectively governed</li></ul></li><li>▪ Our valuation approach is flexible, but places a strong emphasis on cash flow and returns-based methodologies</li><li>▪ We focus on downside risk management at the individual security level</li></ul>

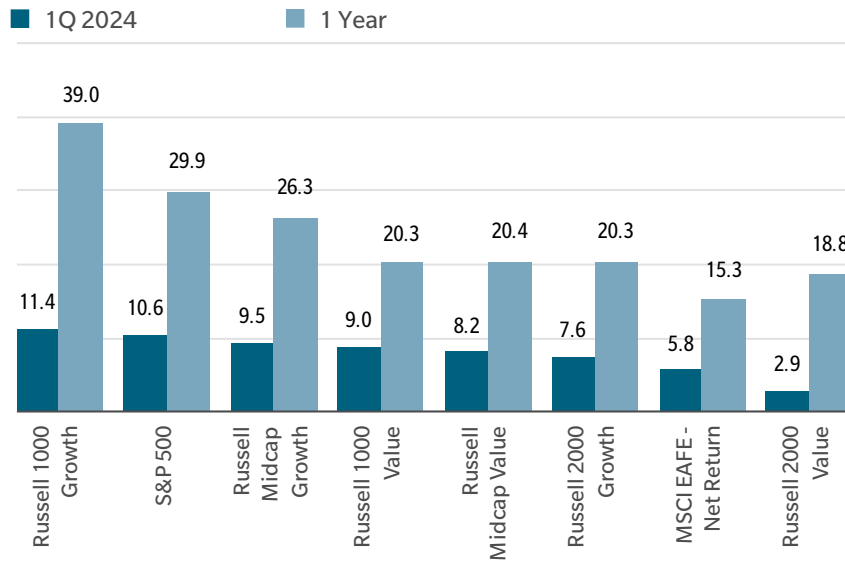
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The extent to which any ESG factors are considered and whether they impact returns will depend on a number of variables, such as investment strategy, the types of asset classes, regional and geographic exposures, and an investment professional's views and analysis of a specific ESG issue. ESG factors alone do not determine any investment decision.

# Market Overview

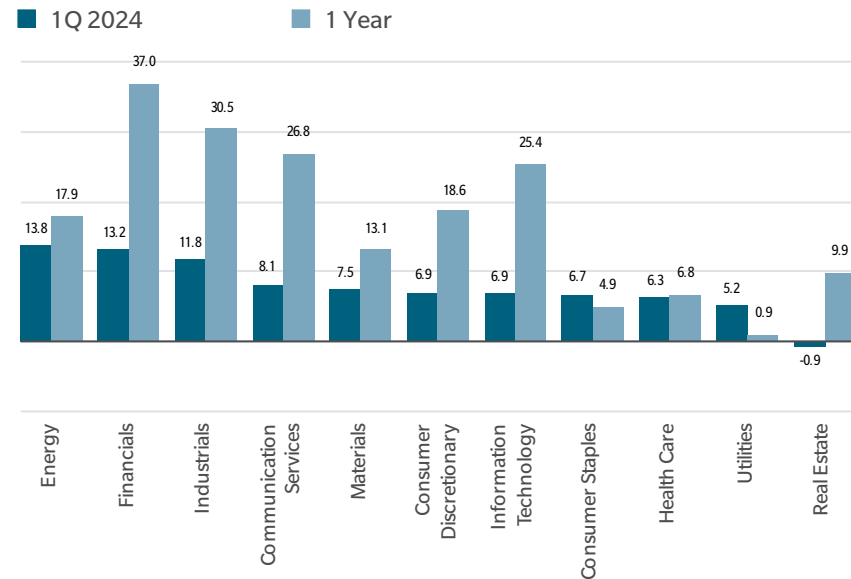


Style performance (%) (USD) as of 31-Mar-24



Source for benchmark performance SPAR, FactSet Research Systems Inc. All indices represent total return unless otherwise noted.

Sector performance (%) (USD) as of 31-Mar-24



Source: FactSet. Sector performance based on MSCI sector classification. The analysis of Russell 1000® Value Index constituents are broken out by MSCI defined sectors.

## US equities market review as of 31 March 2024

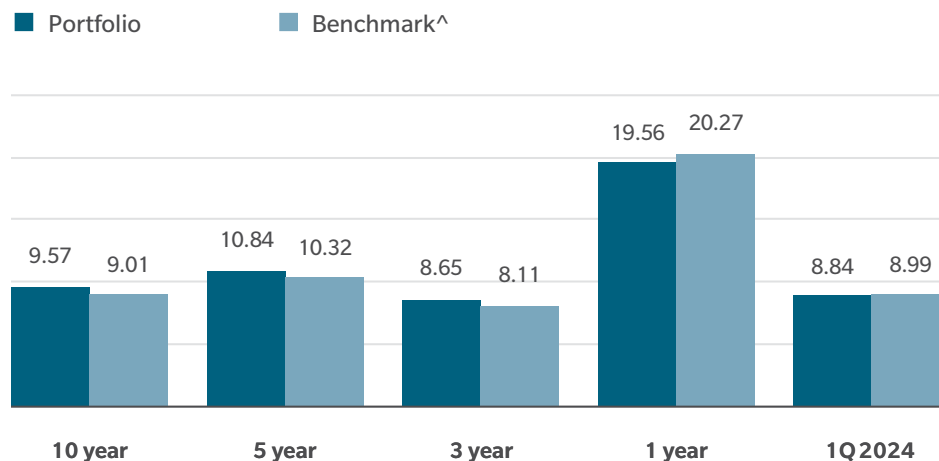
- The US market, as measured by the S&P 500 Index, finished strongly higher in Q1 2024. This was driven by the ongoing belief that interest rates will be cut later this year as inflation moves lower.
- Economic growth in the United States expanded during Q4 2023, with GDP increasing 3.4%. While this was slower than the 4.9% for Q3, it continued to show increases in consumer and government spending. With inflation trending down, although not in a straight

- line, the US Federal Reserve continues to anticipate interest rate cuts in 2024.
- For the quarter, growth outperformed value in the large-cap, midcap and small-cap spaces. Energy, communication services and financials were the best-performing sectors, and real estate, consumer discretionary and utilities were the worst.

# Executive Summary



Performance results (%) R6 shares at NAV (USD) as of 31-Mar-24



Performance data shown represent past performance and are no guarantee of future results. Investment return and principal value fluctuate so your shares, when sold, may be worth more or less than the original cost; current performance may be lower or higher than quoted. For most recent month-end performance, please visit [mfs.com](https://mfs.com).

Performance results reflect any applicable expense subsidies and waivers in effect during the periods shown. Without such subsidies and waivers the fund's performance results would be less favorable. All results assume the reinvestment of dividends and capital gains.

Shares are available without a sales charge to eligible investors.

Source for benchmark performance SPAR, FactSet Research Systems Inc.

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

^ Russell 1000® Value Index

Sector weights (%) as of 31-Mar-24	Portfolio	Benchmark^^
<b>Top overweights</b>		
Financials	26.5	22.7
Industrials	17.4	14.3
Utilities	7.1	4.7
<b>Top underweights</b>		
Real Estate	2.0	4.6
Communication Services	2.3	4.6
Energy	6.1	8.1

^^ Russell 1000® Value Index

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The MFS Value Fund underperformed the Russell 1000® Value Index in the first quarter of 2024.

### Contributors

- Financials - Stock selection
- Health Care - Stock selection
- Individual stocks:
  - Target Corp
  - Intel Corp (not held)

### Detractors

- Industrials - Stock selection
- Utilities - Stock selection
- Communication Services - Stock selection
- Individual stocks:
  - Berkshire Hathaway Inc (Eq) (not held)
  - Nestle SA
  - Accenture Plc

# Performance Results



Performance results (%) R6 shares at NAV (USD) as of 31-Mar-24

Period	Portfolio	Benchmark <sup>^</sup>	Excess return vs benchmark
1Q 2024	8.84	8.99	-0.14
4Q 2023	9.54	9.50	0.05
3Q 2023	-3.21	-3.16	-0.04
2Q 2023	3.61	4.07	-0.47
2023	8.29	11.46	-3.17
2022	-5.80	-7.54	1.74
2021	25.55	25.16	0.39
2020	4.03	2.80	1.23
2019	30.18	26.54	3.64
10 year	9.57	9.01	0.56
5 year	10.84	10.32	0.53
3 year	8.65	8.11	0.54
1 year	19.56	20.27	-0.70

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

<sup>^</sup> Russell 1000<sup>®</sup> Value Index

## Performance Drivers - Sectors



Relative to Russell 1000® Value Index (USD) - first quarter 2024		Average relative weighting (%)	Portfolio returns (%)	Benchmark returns (%)	Sector allocation <sup>1</sup> (%)	+ Stock selection <sup>2</sup> (%)	+ Currency effect (%)	= Relative contribution (%)
<b>Contributors</b>	Financials	3.8	16.1	13.2	0.2	0.7	—	0.9
	Health Care	0.5	11.8	6.3	-0.0	0.9	-0.0	0.8
	Consumer Discretionary	-1.5	14.2	6.9	0.0	0.3	—	0.3
	Real Estate	-2.6	-2.0	-0.9	0.3	-0.0	—	0.3
<b>Detractors</b>	Industrials	3.1	8.0	11.8	0.1	-0.7	—	-0.6
	Utilities	2.6	1.0	5.2	-0.1	-0.3	—	-0.4
	Communication Services	-1.9	-5.3	8.1	0.0	-0.4	—	-0.4
	Consumer Staples	0.0	2.0	6.7	-0.0	-0.3	-0.1	-0.4
	Energy	-1.9	11.2	13.8	-0.1	-0.1	—	-0.2
	Information Technology	-1.2	5.4	6.9	0.0	-0.1	—	-0.1
	Materials	-1.6	4.8	7.5	0.0	-0.1	—	-0.1
	Cash	0.7	1.3	—	-0.0	—	—	-0.0
<b>Total</b>			<b>9.0</b>	<b>9.0</b>	<b>0.4</b>	<b>-0.2</b>	<b>-0.1</b>	<b>-0.0</b>

1 Sector allocation is calculated based upon each security's price in local currency.

2 Stock selection is calculated based upon each security's price in local currency and included interaction effect. Interaction effect is the portion of the portfolio's relative performance attributable to combining allocation decisions with stock selection decisions. This effect measures the relative strength of the manager's convictions. The interaction effect is the weight differential times the return differential.

Attribution results are generated by the FactSet application utilizing a methodology that is widely accepted in the investment industry. Results are based upon daily holdings using a buy-and-hold methodology to generate individual security returns and do not include fees or expenses. As such, attribution results are essentially estimates and do not aggregate to the total return of the portfolio, which can be found elsewhere in this presentation. Recent geopolitical events may have impacted or disrupted the pricing of specific securities including the use of fair valuation approaches. Fair valuation practices across pricing sources index providers, pricing vendors, MFS - may not align due to security specific considerations or timing of fair valuation parameters. For instance, decisions to use stale prices vs fair value or on the level of haircut when fair valuing securities are typical sources of discrepancy between pricing sources observed during the events. This may further compound differences between attribution results and actual performance. To obtain the contribution calculation methodology and a complete list of every holding's contribution to the overall portfolio's performance during the measurement period, please email [DLAttributionGrp@MFS.com](mailto:DLAttributionGrp@MFS.com).

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# Performance Drivers - Stocks



Relative to Russell 1000® Value Index (USD) - first quarter 2024		Average Weighting (%)		Returns (%)		Relative contribution(%)
		Portfolio	Benchmark	Portfolio <sup>1</sup>	Benchmark	
<b>Contributors</b>	Progressive Corp/The (Eq)	3.2	0.1	30.5	30.5	0.6
	Cigna Group/The	3.1	0.4	21.8	21.8	0.3
	Target Corp	1.4	—	25.3	—	0.2
	Intel Corp	—	0.9	—	-11.8	0.2
	JPMorgan Chase & Co	4.7	2.5	18.5	18.5	0.2
<b>Detractors</b>	Berkshire Hathaway Inc (Eq)	—	3.5	—	17.9	-0.3
	Nestle SA	1.4	—	-8.2	—	-0.3
	Walt Disney Co/The	—	0.9	—	35.5	-0.2
	Accenture Plc	2.1	—	-0.9	—	-0.2
	Charter Communications Inc	0.4	—	-27.4	—	-0.2

<sup>1</sup> Represents performance for the time period stock was held in portfolio.

Attribution results are generated by the FactSet application utilizing a methodology that is widely accepted in the investment industry. Results are based upon daily holdings using a buy-and-hold methodology to generate individual security returns and do not include fees or expenses. As such, attribution results are essentially estimates and do not aggregate to the total return of the portfolio, which can be found elsewhere in this presentation. Recent geopolitical events may have impacted or disrupted the pricing of specific securities including the use of fair valuation approaches. Fair valuation practices across pricing sources index providers, pricing vendors, MFS - may not align due to security specific considerations or timing of fair valuation parameters. For instance, decisions to use stale prices vs fair value or on the level of haircut when fair valuing securities are typical sources of discrepancy between pricing sources observed during the events. This may further compound differences between attribution results and actual performance. To obtain the contribution calculation methodology and a complete list of every holding's contribution to the overall portfolio's performance during the measurement period, please email [DLAttributionGrp@MFS.com](mailto:DLAttributionGrp@MFS.com).

## Significant Impacts on Performance - Detractors



Relative to Russell 1000® Value Index (USD) - first quarter 2024		Relative contribution (%)
<b>Berkshire Hathaway Inc (Eq)</b>	Not owning shares of insurance and investment firm Berkshire Hathaway (United States) weakened relative performance. The stock price advanced during the quarter on strength in the company's large insurance business and higher investment income.	-0.3
<b>Nestle SA</b>	The portfolio's holdings of global food company Nestle (Switzerland) held back relative performance. The company reported a weak start to the year, led by a like-for-like sales shortfall, a softer-than-anticipated operating margin, and an adverse FX impact.	-0.3
<b>Walt Disney Co/The</b>	Not owning shares of diversified entertainment company Walt Disney (United States) weighed on relative returns. The share price gained as the company announced strong revenues, headlined by robust park performance, and improved profitability by trimming costs. Additionally, the company announced \$3B in share buybacks for the upcoming year and a dividend increase.	-0.2

## Significant Impacts on Performance - Contributors



Relative to Russell 1000® Value Index (USD) - first quarter 2024		Relative contribution (%)
<b>Progressive Corp/The (Eq)</b>	An overweight position in insurance company Progressive (United States) benefited relative performance as the company reported earnings ahead of expectations, highlighted by strong underwriting results and lower-than-forecasted losses in its personal auto segment.	0.6
<b>Cigna Group/The</b>	The portfolio's overweight position in global health services provider Cigna(United States) lifted relative performance. The company reported earnings results that exceeded market expectations, driven by strong revenue growth in its specialty pharma and care delivery segments, along with a medical loss ratio that was below market estimates.	0.3
<b>Target Corp</b>	The portfolio's position in retail giant Target (United States) aided relative performance. The company delivered earnings per share results that beat market expectations driven by improved inventories, lower markdowns on goods, lower freight costs and favorable category mix.	0.2

## Significant Transactions



From 01-Jan-24 to 31-Mar-24		Sector	Transaction type	Trade (%)	Ending weight (%)
<b>Purchases</b>	BOEING CO/THE	Industrials	New position	1.8	1.6
	MONDELEZ INTERNATIONAL INC	Consumer Staples	New position	0.8	0.7
	ELEVANCE HEALTH INC	Health Care	Add	0.3	0.9
	RECKITT BENCKISER GROUP PLC	Consumer Staples	Add	0.3	0.6
	DOMINION ENERGY INC	Utilities	Add	0.2	1.3
<b>Sales</b>	CHARTER COMMUNICATIONS INC	Communication Services	Eliminate position	-0.6	-
	KLA CORP	Information Technology	Trim	-0.4	1.5
	BOSTON SCIENTIFIC CORP	Health Care	Trim	-0.3	0.4
	SHERWIN WILLIAMS CO THE (EQ)	Materials	Trim	-0.3	0.5
	ILLINOIS TOOL WORKS INC (EQ)	Industrials	Trim	-0.3	1.1

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# Sector Weights



As of 31-Mar-24	Portfolio (%)	Benchmark^ (%)	Underweight/overweight(%)	Top holdings
Financials	26.5	22.7	3.8	JPMorgan Chase & Co, Progressive Corp, Marsh & McLennan Cos Inc
Industrials	17.4	14.3	3.1	Union Pacific Corp, Northrop Grumman Corp, General Dynamics Corp
Utilities	7.1	4.7	2.4	Southern Co, Duke Energy Corp, Dominion Energy Inc
Consumer Staples	8.5	7.7	0.8	Target Corp, PepsiCo Inc, Nestle SA
Health Care	14.9	14.2	0.7	Cigna Group, McKesson Corp, Johnson & Johnson
Consumer Discretionary	3.6	5.0	-1.4	Lowe's Cos Inc, Marriott International Inc/MD
Information Technology	7.9	9.4	-1.5	Accenture PLC, Analog Devices Inc, KLA Corp
Materials	3.1	4.8	-1.7	DuPont de Nemours Inc
Energy	6.1	8.1	-2.0	ConocoPhillips, Pioneer Natural Resources Co
Communication Services	2.3	4.6	-2.3	Comcast Corp
Real Estate	2.0	4.6	-2.6	ProLogis REIT

^ Russell 1000® Value Index

0.7% Cash & cash equivalents

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# Characteristics



As of 31-Mar-24	Portfolio	Benchmark <sup>^</sup>
<b>Fundamentals - weighted average</b>		
Price/earnings (12 months forward)	17.7x	16.9x
Price/book	3.0x	2.5x
IBES long-term EPS growth <sup>1</sup>	10.6%	9.2%
Return on equity (3-year average)	24.7%	18.7%
<b>Market capitalization</b>		
Market capitalization (USD) <sup>2</sup>	143.3 bn	158.6 bn
<b>Diversification</b>		
Top ten issues	28%	17%
Number of Issues	72	845
<b>Turnover</b>		
Trailing 1 year turnover <sup>3</sup>	14%	—
<b>Risk profile (current)</b>		
Active share	75%	—
<b>Risk/reward (10 year)</b>		
Correlation (monthly)	0.98	—
Beta	0.93	—
Standard deviation	14.53%	15.37%

<sup>^</sup> Russell 1000<sup>®</sup> Value Index

**Past performance is no guarantee of future results.**

**No forecasts can be guaranteed.**

<sup>1</sup> Source: FactSet

<sup>2</sup> Weighted average.

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

## Top 10 Issuers



Top 10 issuers as of 31-Mar-24	Portfolio (%)	Benchmark^ (%)
JPMORGAN CHASE & CO	4.9	2.6
PROGRESSIVE CORP/THE (EQ)	3.4	0.1
CIGNA GROUP/THE	3.2	0.4
CONOCOPHILLIPS (EQ)	2.7	0.7
MCKESSON CORP	2.4	0.2
COMCAST CORP	2.3	0.8
MARSH & MCLENNAN (EQ)	2.3	0.1
AON PLC	2.3	0.3
LOWE'S COS INC	2.2	0.2
JOHNSON & JOHNSON	2.1	1.7
<b>Total</b>	<b>27.9</b>	<b>7.2</b>

^ Russell 1000® Value Index

# Portfolio Outlook and Positioning



## Market Environment

Equity markets have had a strong start to the year, continuing the momentum from the end of 2023. The S&P 500 closed at record levels on 40% of all trading days in the first quarter, a feat that hasn't happened since 2013, while volatility remained low. The Russell 1000 Value finished the quarter up nearly 9% - an annualized pace of 42% - its seventh best start in the last 35 years and is up nearly 20% since September 30, 2023. While outperforming in more difficult environments has been a critical factor in how the MFS Large Cap Value strategy has added value to clients over the long-term, the strategy has also been able to keep pace in a majority of stronger market environments, including the most recent period. This is in keeping with the intent of the strategy which is to add value for clients through a cycle, not just for a cycle. It's difficult to predict macroeconomic factors or the direction of markets accurately and as a result, we never position this portfolio for a specific outcome. Our investment process has always been focused on understanding and managing downside risks with the aim of protecting clients through time.

Over the last 15 years, US equity market investors have enjoyed annualized returns of over 16%. While there have been a few brief market downturns over that period, including the COVID shock in 2020 and the market reaction to rate hikes in 2022, these episodes were followed by a rapid recovery, establishing a "Buy the Dip" mentality in the minds of many investors. It has been 17 years since the last protracted US equity market correction. We believe that the lack of a prolonged bear market in recent years has obscured the significant value that downside risk protection can provide for investors. After a very strong start to the year, we are becoming more cautious on the absolute return outlook from here. While we are optimistic about long-term opportunities for active equity investors, market cycles haven't disappeared, and it seems inevitable that the market will once again experience a more sustained downturn at some point. We are prepared for that eventuality.

## Market Concentration and Multiple Expansion

The level of US equity market concentration has been an oft-discussed topic. Considering the weight of the top five companies in the S&P 500 over the last sixty years, we find ourselves in rare territory with the market reaching current levels only one other time over fifty years ago. Recency bias is the tendency to overweight and extrapolate the most recent trends. Investor psychology is heavily influenced by this phenomenon, with many often assuming current trends will continue well into the future. The reality is that the constitution of the market changes through time, both in terms of the level of concentration and which companies make up the largest weightings in the market. There isn't a single company that has consistently held its place at the top of the index over the last six



# Portfolio Outlook and Positioning



decades. During this century, Microsoft is the only company that has remained among the largest holdings. As companies get larger, growth inevitably slows. Concurrently, innovation provides opportunities for new companies and industries to emerge and the complexion of the market changes. The current backdrop of concentrated markets, high valuations and slowing growth should present our strategy with ample opportunity to add value.

The significant equity market returns have come largely on the back of P/E multiple expansion and as a result, valuation has become a larger investment risk. Interest rates declined significantly from the early 1980s through 2000, providing tailwinds to equity market returns, which compounded over 18% annually. Since the Global Financial Crisis, equity markets have appreciated 16% per year despite rates moving higher in the last couple of years, as valuations and margins expanded. Looking ahead, it seems unlikely that rates, margins and valuations will support this level of compounded annual returns for equities moving forward.

## **Downside Risk Mitigation and Focusing on Long Term Compounding**

Now more than ever, focusing on downside risk management and having a long-term investment time horizon are paramount to adding long-term value for clients. In the environment of the last 17 years, where there have been no protracted market declines, it's easy to forget why downside protection is so important. The math is quite simple. Significant declines require an even greater level of appreciation to recoup value that was lost.

The MFS Large Cap Value strategy has always been focused on assessing downside risks and constructing the portfolio so that it holds up better in more difficult environments. Relative to the Russell 1000® Value and the Large Cap Value peer group, this strategy has provided better downside risk management for clients.

Valuation and business durability have been critical factors driving this performance pattern over time. The earnings of the companies owned in the MFS Large Cap Value strategy have proven to be much more resilient than the broader market in times of stress, providing an important layer of downside support. We saw this evidenced during the Technology Bubble and the Global Financial Crisis, when earnings of the MFS Large Cap Value strategy declined much less than the broader market.

Investment timeframes also matter. Sell side analysts are typically focused on near-term earnings, generally over the next 12 to 18 months. The average holding period of a stock on the New York Stock Exchange sits at a paltry eight months. The average holding period of a stock in the MFS Large Cap Value strategy is 8.3 years, creating a significant opportunity for our clients to benefit from this time horizon mismatch.

# Portfolio Outlook and Positioning



The companies owned in the MFS Large Cap Value strategy are generally ones whose businesses compound value over time. Compounding is a powerful force, but it only works with the benefit of time. Having a longer-term timeframe for assessing investment opportunities means that this strategy is often leaning into stocks that the market is selling out of due to shorter-term headwinds. It is often the case that when taking a longer-term view, the impact of these factors is often more than reflected in current valuations.

## 1Q24 Portfolio Transactions

During the first quarter of 2024, we added two new names to the portfolio – **Boeing** and **Mondelez**. In both cases, shares of each company sold off due to shorter-term business pressures. The investment thesis for owning these companies requires a longer-term outlook and is not reliant on the resolution of these issues in 2024.

- **Boeing:** Boeing is an iconic American company that's been around since 1916. It is a leading global provider of commercial aircraft, defense and space systems, and provides aftermarket services to commercial and defense customers. The company operates in an attractive duopoly market (Boeing and Airbus) with long-term secular growth. The commercial aerospace market should benefit from a continued growth in global air traffic and many years of aircraft orders in its backlog. Recent manufacturing and supply chain quality issues have led to several concerning incidents, and this has appropriately resulted in increased scrutiny by the Federal Aviation Administration (FAA) and downside stock price volatility. Currently, the company's commercial aircraft production ramp is slower than normal as the company works with the FAA to address its quality control processes. This has resulted in higher production costs and supply chain inefficiencies for Boeing, depressing free cash flow over the next couple of years. The market for commercial aircraft is sold out through 2030, giving Boeing time to address their issues before market share losses would be a meaningful risk. We believe the dramatic actions the company is taking today will successfully address the issues and as a result, quality will improve, the FAA will permit a higher rate of production and these abnormal costs will fade. We believe the company has the potential to generate a significant amount of free cash flow on a normalized basis looking out to 2026+. The market's focus on negative near-term events – most notably, the door plug coming off an Alaska Airlines plane during takeoff – has pushed its shares down over 26% year-to-date and heavily discounts an attractive long-term outlook. The current valuation is attractive and as Boeing addresses these issues in collaboration with the FAA, the market will begin to focus on the free cash flow generation and earnings power several years from now.
- **Mondelez International** – Mondelez was originally part of Kraft Foods, which was established 100 years ago. In 2012, Mondelez was created when Kraft spun-off its snack foods business into an independent company. They have strong brands (including Oreo, Cadbury and Belvita) in the attractive snacking category with natural volume growth from expanded distribution and increased per capita

## Portfolio Outlook and Positioning



consumption in emerging markets. The company has broad geographic diversity with over 70% of its sales coming from markets outside of the US and nearly 40% from emerging markets. At a high level, following changes to the company's incentive compensation plans and a renewed focus on investing in brands, distribution and bolt-on M&A, they've demonstrated a good track record of profitable organic growth over the last several years. Shares of Mondelez began to underperform the market last fall amidst investor concern that widespread use of the GLP-1 category of weight loss drugs could result in less demand for snack foods. Most of its business outside of the United States, where the penetration of GLP-1s is likely to be lower, helps to mitigate the impact of these trends on Mondelez's business. In the first quarter, weaker-than-expected earnings guidance due to lower volume growth in its North American market and fears around the impact of higher cocoa prices pressured its shares, providing an attractive valuation opportunity to start a position in this high-quality company.

During the quarter, we also added to several positions that had underperformed during the period including ***Dominion Energy, Elevance, Pepsi*** and ***Reckitt Benckiser***. These were funded by the elimination of ***Charter Communication*** and ***Archer-Daniels-Midland*** as well as trims of ***American Express, Boston Scientific, Chubb, Eaton, Equifax, Illinois Tool Works, Marriott*** and ***Sherwin Williams*** following stronger stock price performance.

### Outlook

For the balance of 2024 and beyond, we are very optimistic about the prospects for the MFS Large Cap Value strategy, but less so for the absolute returns and earnings growth of the market overall. At the start of every year, analysts tend to be overly optimistic about the future direction and magnitude of company earnings, only to revise numbers down as actual data comes in throughout the year. Earnings growth estimates for 2024 and 2025 remain quite robust in double digit territory.

Starting from a place of historically high margins, a backdrop of higher labor and other input costs, slowing growth and the potential for operating leverage, we believe there is risk to these estimates. Most of the market's appreciation has come through multiple expansion, leaving little room for valuations to move higher from here. There is virtually no correlation between valuation and equity market returns over shorter-term periods. It is certainly possible the market could continue to appreciate, and valuations could expand even further from current levels. Over the long-term, however, valuation ALWAYS matters. Over rolling 10-year periods, higher beginning valuations have resulted in lower future returns. We believe this sets up a positive backdrop for bottom-up stock selection and for skilled active managers like MFS to add significant value for clients in the years to come.

Looking to the remainder of this year, we are faced with a high degree of uncertainty with regards to the direction of inflation, rates and

## Portfolio Outlook and Positioning



economic growth, coupled with heightened geopolitical tensions, two wars and an upcoming US presidential election (along with national elections for over 80% of the world's market capitalization). Our expertise is not in predicting macroeconomic outcomes, and as a result, we don't manage the portfolio with a top-down framework. However, we are keenly aware of macroeconomic factors that will have implications for the economy and the equity market. We believe 2024 will present numerous opportunities for us to add long-term value for clients. Thoughtful risk management, diligent fundamental, bottom-up analysis and careful consideration of how companies are addressing sustainability issues and interacting with all of their stakeholders over the next decade and beyond will be critical elements in adding long-term value for clients. We are confident that our long-term focus, collaborative research organization and rigorous bottom-up investment process positions us well to continue to add value through active management for many years to come.

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The commentary included in this report was based on a representative fully discretionary portfolio for this product style; as such the commentary may include securities not held in your portfolio due to account, fund, or other limits.

# Portfolio Holdings



As of 31-Mar-24	Equivalent exposure (%)
<b>Cash &amp; Cash Equivalents</b>	<b>0.7</b>
Cash & Cash Equivalents	0.7
<b>Communication Services</b>	<b>2.3</b>
Comcast Corp	2.3
<b>Consumer Discretionary</b>	<b>3.6</b>
Lowe's Cos Inc	2.2
Marriott International Inc/MD	1.3
<b>Consumer Staples</b>	<b>8.5</b>
Target Corp	1.6
PepsiCo Inc	1.3
Nestle SA	1.3
Diageo PLC	1.2
Kenvue Inc	1.1
Kimberly-Clark Corp	0.7
Mondelez International Inc	0.7
Reckitt Benckiser Group PLC	0.6
<b>Energy</b>	<b>6.1</b>
ConocoPhillips	2.7
Pioneer Natural Resources Co	1.6
Chevron Corp	0.9
EOG Resources Inc	0.9
<b>Financials</b>	<b>26.5</b>
JPMorgan Chase & Co	4.9
Progressive Corp	3.4
Marsh & McLennan Cos Inc	2.3
Aon PLC	2.3
American Express Co	2.0
Morgan Stanley	1.8
Travelers Cos Inc	1.8
Chubb Ltd	1.8
Nasdaq Inc	1.5
Citigroup Inc	1.5
BlackRock Inc	1.1
PNC Financial Services Group Inc	1.1

As of 31-Mar-24	Equivalent exposure (%)
<b>Financials</b>	<b>26.5</b>
KKR & Co Inc	1.0
<b>Health Care</b>	<b>14.9</b>
Cigna Group	3.2
McKesson Corp	2.4
Johnson & Johnson	2.1
Merck & Co Inc	1.5
Pfizer Inc	1.4
AbbVie Inc	1.3
Abbott Laboratories	1.0
Elevance Health Inc	0.9
Boston Scientific Corp	0.4
Medtronic PLC	0.3
Roche Holding AG	0.3
<b>Industrials</b>	<b>17.4</b>
Union Pacific Corp	2.0
Northrop Grumman Corp	2.0
General Dynamics Corp	1.9
RTX Corp	1.7
Honeywell International Inc	1.6
Boeing Co	1.6
Eaton Corp PLC	1.5
Illinois Tool Works Inc	1.1
Equifax Inc	0.8
Trane Technologies PLC	0.8
PACCAR Inc	0.8
Johnson Controls International PLC	0.7
Canadian National Railway Co	0.6
Otis Worldwide Corp	0.3
Veralto Corp	0.1
<b>Information Technology</b>	<b>7.9</b>
Accenture PLC	1.9
Analog Devices Inc	1.8

## Portfolio Holdings



As of 31-Mar-24	Equivalent exposure (%)
<b>Information Technology</b>	<b>7.9</b>
KLA Corp	1.5
Texas Instruments Inc	1.4
NXP Semiconductors NV	1.2
<b>Materials</b>	<b>3.1</b>
DuPont de Nemours Inc	1.3
PPG Industries Inc	0.7
Corteva Inc	0.6
Sherwin-Williams Co	0.5
<b>Real Estate</b>	<b>2.0</b>
ProLogis REIT	1.7
Public Storage REIT	0.3
<b>Utilities</b>	<b>7.1</b>
Southern Co	1.7
Duke Energy Corp	1.7
Dominion Energy Inc	1.3
Exelon Corp	0.7
PG&E Corp	0.7
Xcel Energy Inc	0.6
American Electric Power Co Inc	0.4

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