

MFS Fixed Income Capabilities: Research Driven – Always Active

A century of active management expertise

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. We also integrate ESG factors into our fixed income research, security selection and overall investment process.

Our powerful investment approach combines 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.

Fixed income at MFS

- US\$94 billion fixed income platform established in 1970*
- US\$597 billion total firm-wide AUM
- 133 fixed income professionals integrated into 319 member global investment organisation
- Long-term-focused organisational ownership

* As at 31-Dec-23. Includes US\$21.3 billion of dedicated fixed income assets managed as part of multi-asset portfolios and short-term cash management assets.

50+ years of fixed income management

MFS has a culture of managing client capital responsibly, transparently and consistent with expectations. We have managed fixed income portfolios for over half a century — through bull and bear markets, through periods of high and low inflation and, most recently, through periods of near-zero as well as negative interest rates. Times change and markets evolve, but the foundations of our global fixed income platform, outlined below, has not wavered.




Collective Expertise

- Fixed income platform seamlessly integrated into 300+ member global investment organisation
- Credit analysts structurally connected with equity platform
- Highly informed portfolio managers that allow for flexible and dynamic portfolio management



Research Driven

- Seek to capitalise on market volatility through research-driven conviction, valuation discipline and long-term horizons
- Highly experienced career analysts considered investors within our process who advocate for their best ideas
- In-depth sector and issuer-level insights that help enhance return potential and minimise default risk



Active, Long-Term Approach

- Cultural emphasis on intentional and prudent risk management and allocation
- Seek to exploit opportunities flexibly and patiently
- High-conviction portfolios aligned with client requirements

‘Focusing on downside risk at certain points in the cycle and the potential for capital appreciation at others is how we actively manage assets for clients’.

William J. Adams

MFS Co-Chief Investment Officer, Global Fixed Income ▲

ESG integration in fixed income

We integrate ESG factors into our fundamental research, thoughtful security selection and overall investment process. Below are the central tenets of our process-focused approach.



Integrated Approach

- ESG factors assessed in the context of overall credit risk analysis
- Embedded ESG approach consistent with a long-term investment horizon
- Focus on proprietary analysis, with third-party ratings considered as an input and not prescriptive



Materiality and Time Horizon

- Emphasis on materiality of ESG factors and associated risks or opportunities
- Focus on time frame in which ESG factors could affect borrowers' credit quality



Active Management

- Dynamic nature and range of ESG factors point to the potential benefits of an active approach
- Enables fixed income investors to gain a multi-stakeholder view of borrowers
- Provides means of accessing and engaging with management

MFS fixed income strategies

We have a wide range of global fixed income capabilities designed to meet the institutional investor's unique objectives. The following is a sampling of strategies available in MFS' global fixed income range, as at 31 December 2023.

MULTISECTOR		
Global Aggregate	US Aggregate	Canadian Fixed Income
Core	Core	Core
Core Plus	Core Plus	Core Plus
Opportunistic	Opportunistic	Long
	Limited Maturity	Long Plus
		Short Term

SECTOR-SPECIFIC			
Credit	High Yield	Emerging Markets (EM)	US Municipal Bonds
Euro Credit	Global High Yield	EM Hard Currency Debt	Taxable
Global Credit	US Corporate BB	EM Local Currency Debt	Tax Exempt
US Credit	US High Yield	EMD Opportunities	
US Long-Duration Credit		EM Corporate Debt	
Buy and Maintain			
Canadian Credit			

MFS may consider environmental, social, and governance (ESG) factors in its fundamental investment analysis alongside more traditional economic factors where MFS believes such ESG factors could materially impact the economic value of an issuer. 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. MFS may incorporate ESG factors into its engagement activities when communicating with issuers but these engagement activities will not necessarily result in changes to any issuer's ESG-related practices.

MFS Fixed Income Capabilities: Research Driven – Always Active

Shown below are additional details on a focus set of strategies that provide institutional investors with a variety of fixed income exposures across developed and emerging markets, as well as across the credit quality spectrum.

GLOBAL AGGREGATE			
As at 31 December 2023	Core	Core Plus	Opportunistic
Inception	1 April 2012	1 April 2010	1 September 1989
Strategy AUM (US\$M)	1,709	245	1,830
Benchmark	Bloomberg Global Aggregate (USD Unhedged)	Bloomberg Global Aggregate (USD Unhedged)	Bloomberg Global Aggregate (USD Hedged)
eVestment category	Global Aggregate	Global Core Plus	Global Multi Sector
Excess Return Target - Gross/Net ¹	75-125 bps/45-95 bps	100-200 bps/65-165 bps	150-300 bps/110-260 bps
Tracking Error Range ¹	75-200 bps	100-300 bps	200-500 bps
Characteristics:			
Average Quality ²	A+	A	A-
Average Effective Duration (years) ³	7.44	7.63	7.96
Yield to Worst (%) ³	4.76	4.90	6.28
Risk statistics (10 years / SI)⁴:			
Tracking Error - Gross/Net (%)	1.10/1.10	1.53/1.53	2.15/2.15
Standard Deviation - Gross/Net (%) ⁵	6.65/6.64	6.93/6.93	4.89/4.89
Sharpe Ratio - Gross/Net	-0.02/-0.07	0.02/-0.05	0.54/0.45
Information Ratio - Gross/Net	0.64/0.33	0.65/0.32	0.67/0.45
Credit Quality Breakdown^{3,6}:			
AAA	12.83	11.33	9.82
AA	28.54	28.39	31.29
A	25.76	19.21	15.78
BBB	27.16	33.80	29.91
BB	0.99	5.37	7.32
B	0.00	0.36	3.43
CCC and Below	0.00	0.53	0.99
Other Not Rated	0.49	0.46	-1.69
Cash	3.96	0.54	3.10

MFS Fixed Income Capabilities: Research Driven – Always Active

GLOBAL CREDIT			
As at 31 December 2023	Euro Credit	Global Credit	US Credit
Inception	1 November 2018	1 December 2014	1 January 1998
Strategy AUM (US\$M)	180	817	5,632
Benchmark	Bloomberg Euro Aggregate Credit - Corporate (EUR Hedged)	Bloomberg Global Aggregate Credit	Bloomberg US Credit
eVestment category	Euro Corporate	Global Credit	US Corporate
Excess Return Target - Gross/Net ¹	100-125 bps/75-100bps	125-150 bps/95-120 bps	100-125 bps/75-100 bps
Tracking Error Range ¹	50-300 bps	50-300 bps	50-300 bps
Characteristics:			
Average Quality ²	BBB+	BBB	BBB+
Average Effective Duration (years) ³	4.70	6.15	6.98
Yield to Worst (%) ³	3.75	5.63	5.74
Risk statistics (10 years / SI)⁴:			
Tracking Error - Gross/Net (%)	1.45/1.45	1.54/1.55	0.92/0.92
Standard Deviation - Gross/Net (%) ⁵	7.01/7.01	8.00/8.00	6.84/6.84
Sharpe Ratio - Gross/Net	0.23/0.17	0.16/0.10	0.33/0.27
Information Ratio - Gross/Net	1.23/0.95	0.89/0.56	0.68/0.24
Credit Quality Breakdown^{3,6}:			
AAA	0.29	0.31	3.27
AA	11.52	5.01	9.59
A	28.12	22.04	28.47
BBB	46.25	58.17	48.31
BB	8.35	8.96	5.71
B	0.13	0.81	1.71
CCC and Below	0.78	0.83	0.27
Other Not Rated	3.84	1.14	0.01
Cash	0.72	2.54	2.66

MFS Fixed Income Capabilities: Research Driven – Always Active

EMERGING MARKETS			
As at 31 December 2023	EM Hard Currency Debt	EM Local Currency Debt	EMD Opportunities
Inception	1 August 2006	1 November 2006	1 June 2019
Strategy AUM (US\$M)	11,624	533	40
Benchmark	JPM EMBI Global Diversified	JPM GBI-EM Global Diversified	JPM JEMB Equal Weighted
eVestment category	Global Emerging Mkts Fixed Income - Hard Currency	Global Emerging Mkts Fixed Income - Local Currency	Global Emerging Markets – Blended Currency
Excess Return Target - Gross/Net ¹	150 bps/105 bps	150 bps/105 bps	200 bps/155 bps
Tracking Error Range ¹	100-200 bps	100-300 bps	150-400 bps
Characteristics:			
Average Quality ²	BB	BBB	BBB-
Average Effective Duration (years) ³	6.75	6.30	6.09
Yield to Worst (%) ³	7.67	7.77	7.71
Risk statistics (10 years / SI) ⁴ :			
Tracking Error - Gross/Net (%)	1.30/1.30	2.09/2.09	1.93/1.94
Standard Deviation - Gross/Net (%) ⁵	8.68/8.68	12.21/12.21	11.34/11.34
Sharpe Ratio - Gross/Net	0.33/0.28	0.03/-0.04	0.10/0.05
Information Ratio - Gross/Net	0.68/0.33	0.69/0.33	0.97/0.72
Credit Quality Breakdown ^{3,6} :			
AAA	0.00	0.00	0.00
AA	5.02	4.62	16.33
A	7.59	15.11	9.60
BBB	22.94	49.46	31.38
BB	30.12	20.63	26.25
B	18.51	1.17	10.57
CCC and Below	6.85	0.00	2.51
Other Not Rated	0.02	0.01	-0.73
Cash	8.96	8.65	3.84

MFS Fixed Income Capabilities: Research Driven – Always Active

	EMERGING MARKETS		OTHER
As at 31 December 2023	EM Corporate	Taxable US Municipal	Global High Yield
Inception	1 February 2020	1 July 2018	1 December 1998
Strategy AUM (US\$M)	44	801	444
Benchmark	JPMorgan CEMBI Broad Diversified	75% Bloomberg Taxable Muni Bond Index/ 25% Bloomberg Municipal Bond Index	ICE BoA Global HY Constr. (USD Hedged)
eVestment category	Global Emerging Mkts Fixed Income - Corporate Debt	US Taxable Municipal Fixed Income	Global High Yield
Excess Return Target - Gross/Net ¹	125 bps / 80 bps	100-125 bps/75-100 bps	75-125 bps/25-75 bps
Tracking Error Range ¹	75-150 bps	100-300 bps	50-250 bps
Characteristics:			
Average Quality ²	BBB-	A	B+
Average Effective Duration (years) ³	4.22	7.42	3.13
Yield to Worst (%) ³	7.43	5.83	7.47
Risk statistics (10 years / SI)⁴:			
Tracking Error - Gross/Net (%)	1.64/1.64	1.42/1.43	1.00/1.00
Standard Deviation - Gross/Net (%) ⁵	9.93/9.93	6.74/6.74	7.05/7.05
Sharpe Ratio - Gross/Net	0.03/-0.02	0.00/-0.04	0.46/0.36
Information Ratio - Gross/Net	0.97/0.68	0.62/0.43	0.12/-0.57
Credit Quality Breakdown^{3,6}:			
AAA	0.00	3.56	0.00
AA	4.92	29.15	0.00
A	17.20	42.01	0.00
BBB	28.69	16.03	1.38
BB	28.42	3.19	43.65
B	13.28	0.00	38.87
CCC and Below	2.06	0.70	11.73
Other Not Rated	1.37	0.18	-0.26
Cash	4.06	5.07	4.20

Keep in mind that all investments carry a certain amount of risk, including the possible loss of the principal amount invested.

With the exception of the Euro Credit strategy, all risk metrics are shown in USD. Euro Credit is shown in EUR.

¹ **The return targets are aspirational and shown to describe the investment strategy over a market cycle. Return target expectations consider expected risk levels, sector exposures, as well as other dimensions related to portfolio construction. The net-of-fee targets account for a model fee equal to the highest fee from the strategy's institutional fee schedule on the GIPS Composite Report. There is no guarantee that these results will be achieved.**

² The Average Credit Quality is a market weighted average (using a linear scale) of securities included in the rating categories. Based on Equivalent Exposure.

³ Source: Bloomberg PORT. Based on market value.

⁴ Source: FactSet, Spar

⁵ Standard deviation is an indicator of the portfolio's total return volatility, which is based on a minimum of 36 monthly returns. The larger the portfolio's standard deviation, the greater the portfolio's volatility.

⁶ 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. **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. Portfolio characteristics data are as of 31 December 2023. The portfolio is actively managed, and current holdings may be different.

FOR INSTITUTIONAL AND INVESTMENT PROFESSIONAL USE ONLY

MFS Fixed Income Capabilities: Research Driven – Always Active

Index data source

Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2024, J.P. Morgan Chase & Co. All rights reserved.

Source: ICE Data Indices, LLC ("ICE Data"), is used with permission. ICE Data, its affiliates and their respective third party suppliers disclaim any and all warranties and representations, express and/or implied, including any warranties of merchantability or fitness for a particular purpose or use, including the indices, index data and any data included in, related to, or derived therefrom. Neither ICE Data, its affiliates nor their respective third party suppliers shall be subject to any damages or liability with respect to the adequacy, accuracy, timeliness or completeness of the indices or the index data or any component thereof, and the indices and the index data and all components thereof are provided on an "as is" basis and your use is at your own risk. ICE Data, its affiliates and their respective third party suppliers do not sponsor, endorse or recommend MFS, or any of its products or services.

Source: Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). Bloomberg or Bloomberg's licensors own all proprietary rights in the Bloomberg Indices. Bloomberg neither approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.

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

Distributed by: **U.S.** – MFS Institutional Advisors, Inc. ("MFSI"), MFS Investment Management and MFS Fund Distributors, Inc., Member SIPC; **Latin America** – MFS International Ltd.; **Canada** – MFS Investment Management Canada Limited; **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; **Singapore** – MFS International Singapore Pte. Ltd. (CRN 201228809M); **Australia/New Zealand** - 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; **Hong Kong** - 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 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"); **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; **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.

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.