

20 years of the best and worst – a case for diversification



Everyone wants to be in the best-performing asset class every year. The thing is, few people are savvy enough to consistently choose the best. That's why diversification is key. This chart shows annual returns for eight broad-based asset classes, cash, and a diversified portfolio ranked from best to worst. Notice how the "leadership" changes from year to year, and how competitively the diversified portfolio performed over 20 years (see the "average" column).

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Average |
|-----------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|-------------------------------|------------------------------|------------------------------|-----------------------------|------------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|-----------------------------|
| Large Cap Value | Large Cap Growth 35.18% | Large Cap Growth 38.71% | Large Cap Growth 33.16% | Commodities 31.84% | REITs 15.50% | Commodities 25.91% | Small/Mid Cap 45.51% | REITs 30.41% | Commodities 21.36% | REITs 34.35% | Commodities 16.23% | Global Bonds 12.00% | Large Cap Growth 37.21% | REITs 27.58% | Bonds 7.84% | REITs 20.14% | Small/Mid Cap 36.80% | REITs 27.15% | Large Cap Growth 5.67% | Small/Mid Cap 17.59% | Small/Mid Cap 9.46% |
| Large Cap Growth | Large Cap Growth 30.49% | International 20.33% | International 27.30% | REITs 25.89% | Bonds 8.44% | Global Bonds 19.37% | International 39.17% | International 20.70% | International 14.02% | International 26.86% | Large Cap Growth 11.81% | Bonds 5.24% | Small/Mid Cap 34.39% | Small/Mid Cap 26.71% | REITs 7.28% | International 17.90% | Large Cap Growth 33.48% | Large Cap Value 13.45% | REITs 2.29% | Large Cap Value 17.34% | REITs 9.13% |
| Small/Mid Cap | Small/Mid Cap 24.36% | Large Cap Value 15.63% | Commodities 24.35% | Bonds 11.63% | Cash 4.09% | Bonds 10.25% | REITs 38.47% | Small/Mid Cap 18.29% | REITs 8.29% | Large Cap Value 22.25% | International 11.63% | Cash 1.80% | International 32.46% | Commodities 16.83% | Global Bonds 7.22% | Small/Mid Cap 17.88% | Large Cap Value 32.53% | Large Cap Growth 13.05% | Bonds 0.55% | Commodities 11.77% | Large Cap Value 8.33% |
| REITs | REITs 18.86% | Global Bonds 15.31% | Small/Mid Cap 24.14% | Large Cap Value 7.01% | Small/Mid Cap 1.22% | REITs 5.22% | Large Cap Value 30.03% | Large Cap Value 16.49% | Small/Mid Cap 8.11% | Small/Mid Cap 16.17% | Global Bonds 10.81% | Diversified Portfolio -26.72% | REITs 27.45% | Large Cap Growth 16.71% | Large Cap Growth 2.64% | Large Cap Value 17.51% | International 23.29% | Small/Mid Cap 7.07% | Cash 0.03% | REITs 9.28% | Large Cap Growth 6.88% |
| Diversified Portfolio | Diversified Portfolio 14.55% | Bonds 8.69% | Diversified Portfolio 13.07% | Cash 5.96% | Global Bonds -0.79% | Cash 1.70% | Large Cap Growth 29.75% | Diversified Portfolio 14.64% | Diversified Portfolio 7.69% | Diversified Portfolio 15.00% | Bonds 6.97% | Commodities -35.65% | Diversified Portfolio 23.08% | Diversified Portfolio 15.93% | Large Cap Value 0.39% | Large Cap Growth 15.26% | Diversified Portfolio 13.21% | Bonds 5.97% | International -0.39% | Diversified portfolio 8.73% | Diversified portfolio 6.84% |
| Bonds | Bonds 9.65% | Diversified Portfolio 6.19% | Large Cap Value 7.35% | Diversified Portfolio 5.23% | Diversified Portfolio -4.98% | Diversified Portfolio -2.53% | Diversified Portfolio 28.09% | Global Bonds 10.10% | Large Cap Value 7.05% | Large Cap Growth 9.07% | Diversified Portfolio 4.92% | Small/Mid Cap -36.79% | Large Cap Value 19.69% | Large Cap Value 15.51% | Diversified Portfolio 0.13% | Diversified Portfolio 11.70% | REITs 3.21% | Diversified Portfolio 5.39% | Global Bonds -2.61% | Large Cap Growth 7.08% | Bonds 5.29% |
| Cash | Cash 5.25% | Cash 5.06% | Cash 4.74% | Small/Mid Cap 4.27% | Large Cap Value -5.59% | Large Cap Value -15.52% | Commodities 23.93% | Commodities 9.15% | Large Cap Growth 5.26% | Global Bonds 5.94% | Cash 4.74% | Large Cap Value -36.85% | Commodities 18.91% | International 8.21% | Cash 0.08% | Bonds 4.21% | Cash 0.05% | Global Bonds 0.67% | Small/Mid Cap -2.90% | Bonds 2.65% | International 4.59% |
| International | International 2.06% | Small/Mid Cap 0.38% | Bonds -0.82% | Global Bonds 2.34% | Commodities -19.51% | International -15.66% | Global Bonds 14.51% | Large Cap Growth 6.30% | Cash 3.00% | Cash 4.76% | Small/Mid Cap 1.38% | REITs -37.34% | Bonds 5.93% | Bonds 6.54% | Small/Mid Cap -2.51% | Global Bonds 1.30% | Bonds -2.02% | Cash 0.03% | Diversified portfolio -3.20% | Global Bonds 1.57% | Global Bonds 4.33% |
| Global Bonds | Global Bonds 1.40% | REITs -18.82% | Global Bonds -5.08% | International -13.96% | Large Cap Growth -20.42% | Small/Mid Cap -17.80% | Bonds 4.10% | Bonds 4.34% | Bonds 2.43% | Bonds 4.33% | Large Cap Value -0.17% | Large Cap Growth -38.44% | Global Bonds 1.90% | Global Bonds 6.42% | International -11.73% | Cash 0.07% | Global Bonds -4.50% | International -4.48% | Large Cap Value -3.83% | International 1.51% | Cash 2.19% |
| Commodities | Commodities -3.39% | Commodities -27.03% | REITs -6.48% | Large Cap Growth -22.42% | International -21.21% | Large Cap Growth -27.88% | Cash 1.07% | Cash 1.24% | Global Bonds -6.53% | Commodities 2.07% | REITs -17.83% | International -43.06% | Cash 0.16% | Cash 0.13% | Commodities -13.32% | Commodities -1.06% | Commodities -9.52% | Commodities -17.01% | Commodities -24.66% | Cash 0.27% | Commodities 0.50% |

Source: SPAR, FactSet Research Systems Inc.

BEST
WORST

| MARKET SEGMENT | REPRESENTED BY | STANDARD DEVIATION* |
|-------------------------|--|---------------------|
| Cash | Citigroup 3-month T-bill Index ¹ | 0.62 |
| Bonds | Bloomberg Barclays U.S. Aggregate Bond Index ² | 3.44 |
| Global Bonds | JPMorgan Global Government Bond Index (Unhedged) ³ | 6.61 |
| Diversified portfolio | Equal allocations of all segments disclosed herein, excluding cash | 10.70 |
| Large Cap Value stocks | Russell 1000 [®] Value Index ⁴ | 15.22 |
| Commodities | Bloomberg Commodity Index ⁵ | 16.36 |
| International stocks | MSCI EAFE Index ⁶ | 16.93 |
| Large Cap Growth stocks | Russell 1000 [®] Growth Index ⁷ | 17.50 |
| Small/Mid Cap stocks | Russell 2500 Index ⁸ | 18.63 |
| REITs | FTSE NAREIT All REITs Total Return Index ⁹ | 19.62 |

Note that the diversified portfolio's assets were rebalanced at the end of every quarter to maintain the equal allocations throughout the period.

*20 YEARS ENDED 12/31/16

Standard deviation reflects a 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.

The historical performance of each index cited is provided to illustrate market trends; it does not represent the performance of a particular MFS investment product. It is not possible to invest directly in an index. Index performance does not take into account fees and expenses. Past performance is no guarantee of future results. The investments you choose should correspond to your financial needs, goals, and risk tolerance. For assistance in determining your financial situation, consult an investment professional. For more information on any MFS product, including performance, please visit mfs.com.

Important risk considerations

International:

Investing in foreign and/or emerging market securities involves interest rate, currency exchange rate, economic, and political risks. These risks are magnified in emerging or developing markets as compared with domestic markets.

Small/Mid Cap stocks:

Investing in small and/or mid-sized companies involves more risk than that customarily associated with investing in more-established companies.

Bonds:

Bonds, if held to maturity, provide a fixed rate of return and a fixed principal value. Bond funds will fluctuate and, when redeemed, may be worth more or less than their original cost.

Diversification does not guarantee a profit or protect against a loss.

See other side for important information.

MAKE DIVERSIFICATION WORK FOR YOU

Strike the proper balance

Diversification — spreading your assets among investment types, styles, and markets — is one of the few time-tested strategies for investors with long-term financial goals. A well-diversified portfolio of stock and bond holdings may help reduce your exposure to the downside risks of individual holdings. As you can see in the charts to the right, stocks and bonds have historically performed differently over time.

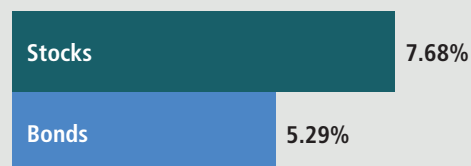
Stick to your plan

When tempted by current market conditions, investors should stay true to a long-term financial plan. We know the stock market buzz never stops. But desire and impulse are never good substitutes for rational thought and a disciplined plan. Look no further than the dot-com phenomenon to see a hot bubble burst.

Does this mean that you should put all of your money in just stocks? Or just bonds? No. Just because an investment type or style outperforms one year, there is no guarantee that it will outperform the next. Stay diversified.

Stocks vs. bonds over the past 20 years

Average performance



Calendar Year Outperformance



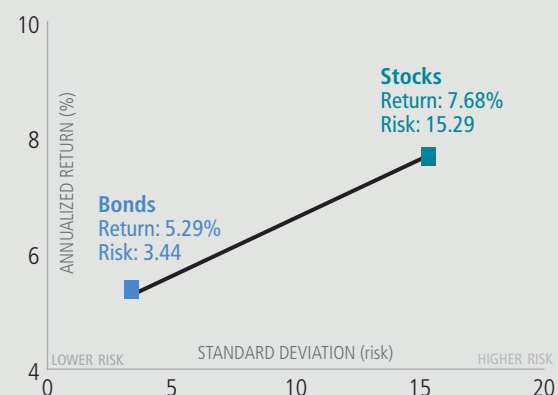
Stocks are represented by the **S&P 500 Index**, which measures the broad US stock market. Bonds are represented by the **Bloomberg Barclays U.S. Aggregate Bond Index**, which measures the US bond market. The historical performance of each index cited is provided to illustrate market trends; it does not represent the performance of a particular MFS® investment product. Index performance does not take into account fees and expenses.

Past performance is no guarantee of future results.

Source: SPAR, FactSet Research Systems Inc. As of 12/31/16.

Risk/return profile: Stocks and bonds

(1997 - 2016)



Standard deviation is an indicator of the portfolio's total return volatility, which is based on a minimum of 36 months. The larger the portfolio's standard deviation, the greater the portfolio's volatility. Past performance is no guarantee of future results.

For more information on any MFS product, including performance, please visit mfs.com. It is not possible to invest directly in an index.

Past performance is no guarantee of future results.

Source: SPAR, FactSet Research Systems Inc. As of 12/31/16.

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

No investment strategy, including diversification and asset allocation, guarantees a profit or protects against a loss.

Stock markets and investments in individual stocks are volatile and can decline significantly in response to issuer, market, economic, industry, political, regulatory, geopolitical, and other conditions. • Investments in debt instruments may decline in value as the result 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 Fund's share price may decline during rising rates. Funds that consist of debt instruments with longer durations are generally more sensitive to a rise in interest rates than those with shorter durations. At times, and particularly during periods of market turmoil, all or a large portion of segments of the market may not have an active trading market. As a result, it may be difficult to value these investments and it may not be possible to sell a particular investment or type of investment at any particular time or at an acceptable price. The price of an instrument trading at a negative interest rate responds to interest rate changes like other debt instruments; however, an instrument purchased at a negative interest rate is expected to produce a negative return if held to maturity.

1 Citigroup 3-month T-bill Index is derived from secondary market Treasury bill rates published by the Federal Reserve Bank. **2 Bloomberg Barclays U.S. Aggregate Bond Index** measures the US bond market. **3 JPMorgan Global Government Bond Index (Unhedged)** measures government bond markets around the world. **4 Russell 1000® Value Index** measures large-cap US value stocks. **5 Bloomberg Commodity Index** is composed of futures contracts on physical commodities. **6 MSCI EAFE Index** measures the non-US stock market. **7 Russell 1000® Growth Index** measures large-cap US growth stocks. **8 Russell 2500 Index** measures small- and mid-cap US stocks. **9 FTSE NAREIT All REITs Total Return Index** tracks the performance of commercial real estate across the US economy. It is not possible to invest directly in an index.