

A horizontal decorative bar with a red-to-maroon gradient, starting with a geometric, faceted shape on the left and ending in a simple line on the right.

MFS® New Discovery Fund

(Class R6 Shares)

Fourth 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. Please read it carefully.

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PRPEQ-NDF-31-Dec-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-NDF-31-Dec-24

Fund Risks and Investment Objective



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.

International: Investments in foreign markets can involve greater risk and volatility than U.S. investments because of adverse market, currency, economic, industry, political, regulatory, geopolitical, or other conditions.

Small-cap: Investments in small-cap companies can be more volatile than investments in larger companies.

Growth: Investments in growth companies can be more sensitive to the company's earnings and more volatile than the stock market in general.

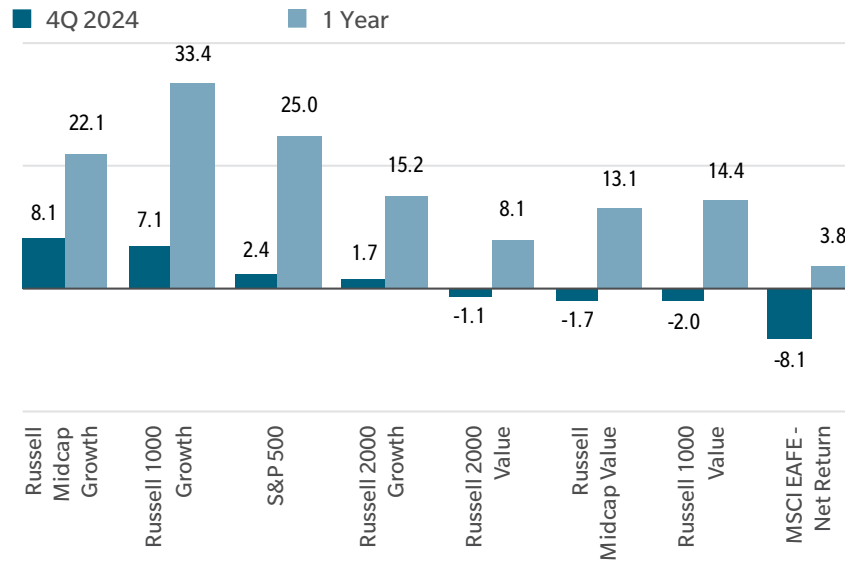
Please see the prospectus for further information on these and other risk considerations.

Investment Objective: Seeks capital appreciation.

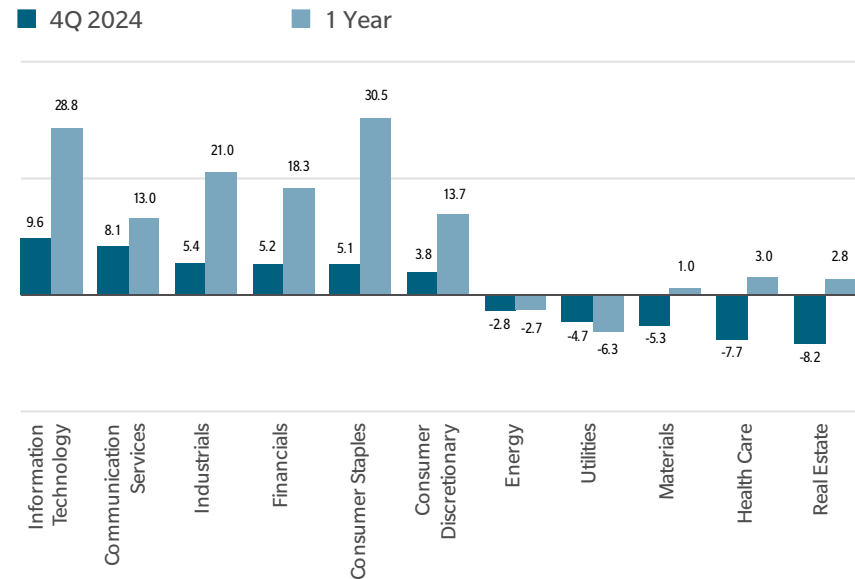
Market Overview



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



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



Past performance is not a reliable indicator for future results.
 Source for benchmark performance SPAR, FactSet Research Systems Inc. All indices represent total return unless otherwise noted.

Source: FactSet. Sector performance based on MSCI sector classification. The analysis of Russell 2000® Growth Index constituents are broken out by MSCI defined sectors.

US equities market review as of 31 December 2024

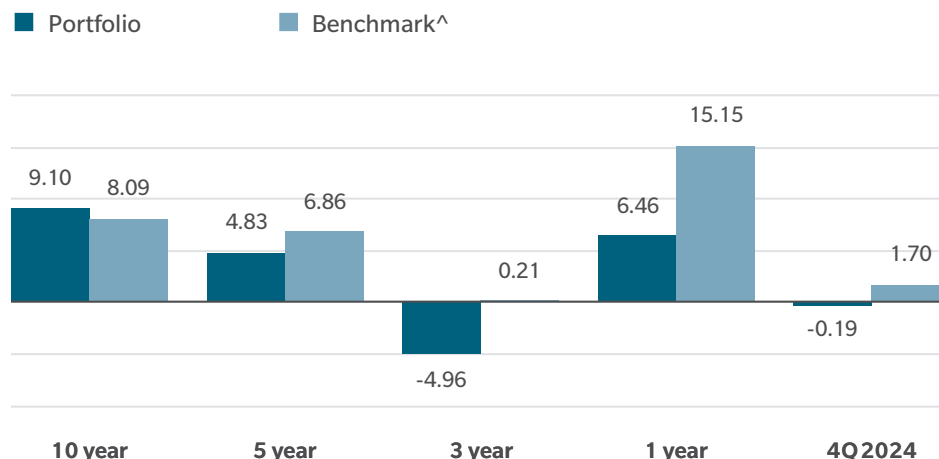
- The US market, as measured by the S&P 500 Index, finished higher in Q4 2024. While the market ended the quarter with a gain, it gave back some of that return in December. Investors used the last month of the year to lock in some profits from a strong year as well as to recognize the uncertainty in many areas in 2025.
- Economic growth in the United States expanded during Q3 2024, with GDP increasing 3.1%. This was similar to Q2 and showed that the US economy was still performing well. With inflation heading toward the US Federal Reserve’s 2% goal, the Fed cut rates two times, each by 25 basis

- points, during the quarter. However, the Fed also announced that fewer cuts than anticipated were likely in 2025.
- For the quarter, growth outperformed value in the large-, mid- and small-cap spaces. Consumer discretionary, communication services and financials were the best-performing sectors, and materials, health care and real estate were the worst.

Executive Summary



Performance results (%) R6 shares at NAV (USD) as of 31-Dec-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.

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 2000® Growth Index

Sector weights (%) as of 31-Dec-24

	Portfolio	Benchmark^^
Top overweights		
Energy	6.4	3.3
Real Estate	3.1	1.4
Health Care	24.5	23.5
Top underweights		
Industrials	20.0	22.8
Communication Services	0.5	2.2
Materials	2.5	3.7

^^ Russell 2000® Growth Index

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The MFS New Discovery Fund underperformed the Russell 2000® Growth Index in the fourth quarter of 2024.

Contributors

- Energy - Stock selection
- Materials - Stock selection
- Health Care - Stock selection
- Individual stocks:
 - Astera Labs Inc
 - Remitly Global Inc
 - Five9 Inc

Detractors

- Consumer Discretionary - Stock selection
- Industrials - Stock selection
- Information Technology - Stock selection

Performance Results



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

Period	Portfolio	Benchmark [^]	Excess return vs benchmark
4Q 2024	-0.19	1.70	-1.90
3Q 2024	3.93	8.41	-4.48
2Q 2024	-3.91	-2.92	-0.99
1Q 2024	6.81	7.58	-0.78
2024	6.46	15.15	-8.69
2023	14.44	18.66	-4.22
2022	-29.55	-26.36	-3.19
2021	1.58	2.83	-1.26
2020	45.18	34.63	10.55
10 year	9.10	8.09	1.01
5 year	4.83	6.86	-2.03
3 year	-4.96	0.21	-5.17
1 year	6.46	15.15	-8.69

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

[^] Russell 2000® Growth Index

Performance Drivers - Sectors



Relative to Russell 2000® Growth Index (USD) - fourth quarter 2024		Average relative weighting (%)	Portfolio returns (%)	Benchmark returns (%)	Sector allocation ¹ (%)	+ Stock selection ² (%)	+ Currency effect (%)	= Relative contribution (%)
Contributors	Energy	2.4	12.4	-2.8	-0.1	0.9	—	0.7
	Materials	-0.2	10.9	-5.3	0.0	0.6	—	0.6
	Health Care	-1.5	-5.9	-7.7	0.1	0.5	-0.1	0.6
	Utilities	-0.5	—	-4.7	0.0	—	—	0.0
	Financials	-2.2	7.5	5.2	-0.1	0.2	—	0.0
Detractors	Consumer Discretionary	0.4	-8.0	3.8	-0.0	-1.3	—	-1.3
	Industrials	-1.2	0.1	5.4	0.0	-1.1	-0.0	-1.2
	Information Technology	-0.2	4.2	9.6	-0.0	-0.9	-0.0	-1.0
	Consumer Staples	-0.0	0.4	5.1	0.0	-0.2	—	-0.2
	Real Estate	1.6	-7.8	-8.2	-0.2	0.0	-0.0	-0.2
	Cash	3.1	1.1	—	-0.1	—	—	-0.1
	Communication Services	-1.7	25.1	8.1	-0.1	0.1	—	-0.0
Total			-0.1	1.7	-0.4	-1.3	-0.1	-1.8

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. As these securities are bought or sold, the portion of the security's return attributed to the difference between fair value price and trade price will not be recognized in attribution results. These factors 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.

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Performance Drivers - Stocks



Relative to Russell 2000® Growth Index (USD) - fourth quarter 2024		Average Weighting (%)		Returns (%)		Relative contribution(%)
		Portfolio	Benchmark	Portfolio ¹	Benchmark	
Contributors	Astera Labs Inc	0.6	—	152.8	—	0.6
	Remitly Global Inc	1.2	0.2	68.6	68.6	0.6
	Summit Materials Inc	1.8	—	29.1	—	0.4
	Five9 Inc	1.0	—	41.5	—	0.4
	Vaxcyte Inc	—	0.9	—	-28.4	0.3
Detractors	Topbuild Corp	1.7	—	-23.5	—	-0.5
	lonq Inc	—	0.3	—	377.9	-0.5
	Caci International Inc	1.9	—	-19.9	—	-0.4
	Rocket Lab Usa Inc	—	0.4	—	161.8	-0.4
	Credo Technology Group Holding Ltd	—	0.5	—	118.2	-0.3

¹ 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. As these securities are bought or sold, the portion of the security’s return attributed to the difference between fair value price and trade price will not be recognized in attribution results. These factors 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.

Significant Impacts on Performance - Detractors



Relative to Russell 2000® Growth Index (USD) - fourth quarter 2024		Relative contribution (%)
Topbuild Corp	Holdings of insulation product distributor TopBuild (United States) held back relative performance. The stock price fell as the company reported below-consensus operating earnings led by lower-than-expected installation revenues. The company also lowered its guidance, which further impacted the share price.	-0.5
Ionq Inc	Not owning shares of quantum computing company IonQ (United States) weakened relative performance. The share price advanced during the quarter, mainly on positive newsflow and industry optimism for the development of quantum computing technology on the view that the technology will be able to leverage quantum mechanics to help solve complex problems far faster than traditional computers. In addition, the company reported revenue results that exceeded investor expectations and announced a partnership with pharmaceutical company AstraZeneca to develop quantum applications for drug discovery and development.	-0.5
Caci International Inc	The portfolio's position in government intelligence and national security information solutions and services provider CACI International (United States) held back relative returns. Although the company posted solid quarterly financial results and raised guidance, the stock price dropped after the US election as investors expressed caution with defense stocks as they await the incoming administration's plans for future defense budgets.	-0.4

Significant Impacts on Performance - Contributors



Relative to Russell 2000® Growth Index (USD) - fourth quarter 2024		Relative contribution (%)
Astera Labs Inc	The portfolio's position in semiconductor manufacturer Astera Labs (United States) aided relative returns. The stock price climbed as the company reported above-consensus revenues and earnings per share reflecting a strong AI infrastructure product ramp coupled with very strong operating leverage.	0.6
Remitly Global Inc	The portfolio's overweight position in cross-border payments platform Remitly Global (United States) contributed to relative returns. The stock price rose as the company posted higher-than-anticipated revenue aided by stronger new customer adds in what was normally a seasonally weaker quarter.	0.6
Summit Materials Inc	Shares of construction materials company Summit Materials (United States) boosted relative performance. The company reported profit above market estimates driven by higher margins in services and lower expenses, partly due to synergy captured from its recent merger with Argos USA.	0.4

Significant Transactions



From 01-Oct-24 to 31-Dec-24		Sector	Transaction type	Trade (%)	Ending weight (%)
Purchases	NCINO INC	Information Technology	New position	1.2	1.2
	STEPSTONE GROUP INC	Financials	New position	1.0	1.0
	STANDARD AERO INC	Industrials	New position	1.0	0.8
	LIGAND PHARMACEUTICALS INC	Health Care	New position	0.9	0.9
	KNIFE RIVER CORP	Materials	New position	0.8	0.8
Sales	SUMMIT MATERIALS INC	Materials	Eliminate position	-2.9	-
	ALTAIR ENGINEERING INC	Information Technology	Eliminate position	-1.1	-
	REMITLY GLOBAL INC	Financials	Trim	-1.1	1.0
	JACOBS SOLUTIONS INC	Industrials	Trim	-0.9	0.6
	FIVE9 INC	Information Technology	Trim	-0.8	0.9

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Sector Weights



As of 31-Dec-24	Portfolio (%)	Benchmark^ (%)	Underweight/overweight(%)	Top holdings
Energy	6.4	3.3	3.1	Matador Resources Co, Antero Resources Corp, Permian Resources Corp
Real Estate	3.1	1.4	1.7	Independence Realty Trust Inc REIT, Terreno Realty Corp REIT
Health Care	24.5	23.5	1.0	QIAGEN NV, Schrodinger Inc/United States, Certara Inc
Consumer Discretionary	10.3	10.3	0.0	Genius Sports Ltd, TopBuild Corp, Visteon Corp
Consumer Staples	3.2	3.3	-0.1	US Foods Holding Corp
Utilities	-	0.4	-0.4	
Information Technology	19.9	20.8	-0.9	SentinelOne Inc, Guidewire Software Inc, FormFactor Inc
Financials	7.2	8.4	-1.2	Hamilton Lane Inc, WisdomTree Inc
Materials	2.5	3.7	-1.2	AptarGroup Inc
Communication Services	0.5	2.2	-1.7	Vivid Seats Inc
Industrials	20.0	22.8	-2.8	Crane Co, RB Global Inc, Flowserve Corp

^ Russell 2000® Growth Index

2.3% Cash & cash equivalents

0.0% Other. Other consists of: (i) currency derivatives and/or (ii) any derivative offsets.

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Characteristics



As of 31-Dec-24	Portfolio	Benchmark [^]
Fundamentals - weighted average		
IBES long-term EPS growth ¹	16.7%	—
Price/earnings (12 months forward ex-negative earnings)	22.1x	20.5x
Market capitalization		
Market capitalization (USD) ²	6.9 bn	4.4 bn
Diversification		
Top ten issues	17%	7%
Number of Issues	111	1,117
Turnover		
Trailing 1 year turnover ³	58%	—
Risk profile (current)		
Active share	92%	—
Risk/reward (5 year)		
Beta	0.89	—

[^] Russell 2000[®] Growth Index

Past performance is no guarantee of future results.

No forecasts can be guaranteed.

¹ Source: FactSet

² Weighted average.

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

Top 10 Issuers



Top 10 issuers as of 31-Dec-24	Portfolio (%)	Benchmark^ (%)
US FOODS HOLDING CORP	2.2	-
CRANE CO	1.9	-
SENTINELONE INC	1.8	-
GUIDEWIRE SOFTWARE INC	1.8	-
RB GLOBAL INC	1.7	-
GENIUS SPORTS LTD	1.6	-
TOPBUILD CORP	1.6	-
FLOWSERVE CORP	1.5	-
NVENT ELECTRIC PLC	1.5	-
QIAGEN NV	1.4	-
Total	17.1	0.0

^ Russell 2000® Growth Index

Portfolio Outlook and Positioning



Performance recap

Following a broad-based surge among small-cap growth stocks during the third quarter, the Russell 2000 Growth Index slowed its progress to a more moderate 1.7% return in the fourth quarter. The quarter was volatile, with sharp moves in both directions, mainly in reaction to macro events. For example, following the results of the US election, the index increased nearly 12% in early November as industrials and financials rallied in anticipation of economic improvement under Trump. This was followed by a brief but sharp correction in mid-November and another brief rally through the end of the month. Finally, the market finished the quarter with a selloff of during the month of December as the US Federal Reserve reduced its forecasts for more cuts amid slower progress on inflation and an uncertain policy outlook. From a factor perspective, companies with the highest momentum and beta as well as the lowest quality style characteristics (including companies with negative earnings) outperformed significantly during the quarter. Needless to say, this highly volatile market was challenging for our high-quality focused small-cap growth portfolio that has historically had anti-momentum and below market beta characteristics.

Much like the fourth quarter, the portfolio lagged the Russell 2000 Growth Index's strong return of 15.2% for the full year in 2024 as companies with the strongest momentum characteristics performed best. Momentum-driven markets represent a challenging backdrop for our high-quality small-cap growth portfolio since we have historically maintained an anti-momentum tilt against the Russell 2000 Growth Index due to our focus on companies with strong and durable fundamental characteristics. While these stocks can struggle to keep up during short-term momentum-driven rallies, we firmly believe that individual company fundamentals will ultimately drive stock prices over the long term. The lowest quality stocks as measured by a composite of quality factors also outperformed the rest of the index. Again, our portfolio has maintained a strong quality bias because quality stocks tend to hold up well during periods of downside market volatility, and we believe this factor is among the most important drivers of risk-adjusted results for long term investors. While we are never pleased with underperformance of any kind, we are not overly surprised that our high-quality, secular growth-focused small-cap growth portfolio lagged the growth index during this environment. In contrast to large cap growth's high concentration in mega-cap Magnificent 7 companies, our portfolio's small-cap growth index has historically been a very diversified group of roughly 1,000 or so names, with the top position typically only accounting for a small weighting in the index. In fact, the median weight of the largest index position of the past 10 years was only 0.74%. But after a surge in demand for the hardware that powers generative AI capabilities in data centers beginning early in 2023, the stock of server manufacturer Super Micro Computer returned nearly 900% from the start of 2023 until the midpoint of 2024. This sent its market value to a high of \$60 billion, well into large-cap territory. The stock's weighting in the Russell 2000 Growth Index also peaked at 3.8%, by far the biggest single-stock weight ever in the index. Strong momentum drove the name higher as investors chased the stock in hopes of it being a strong AI beneficiary along with Nvidia, despite the fact that it offers a relatively undifferentiated product in the highly competitive server chip market, with gross margins that were a fraction of Nvidia's. While not owning the stock has been painful, we prefer to remain on the sidelines with this one in favor of other technology names with more durable fundamentals and attractive risk-reward profiles. Importantly, this stock

Portfolio Outlook and Positioning



quickly became a large-cap name at nearly a \$60 billion market cap which is well outside of our small-cap mandate. Russell's midyear rebalance shifted the stock out of our index and into the S&P 500 where it (very inconveniently for us) declined by more than 60% during the second half of the year. Such is life for small-cap growth investors! Similarly, the stock of MicroStrategy, also surged to a peak weighting of 2.1% in the index as the value of its cryptocurrency holdings soared. The company has tapped capital markets to steadily buy more cryptocurrency since 2020, winning over fans in online investor forums such as Reddit in the process and sending the value of its bitcoins to more than \$30 billion. We firmly believe that this type of stock does not belong in our portfolio because we believe investment in bitcoin is speculation and not an investment. In addition, its \$100 billion market cap has no place in a small-cap portfolio. MicroStrategy was also removed from the index at midyear.

A few of our holdings also hit air pockets that caused significant declines in their shares. For example, although cloud-based contact center software company Five9 reported better than expected revenue, a lowered revenue growth outlook led to share price weakness. In addition, competitive concerns, questions about AI's long-term impact on the business and deteriorating macroeconomic conditions have all cast clouds over the company's stock. Youth-focused discount retailer Five Below also lagged due to weak sales growth, margin compression from rising labor costs, and heavy reliance on Chinese imports that makes it vulnerable to potential tariffs. We sold the stock last summer after the untimely departure of the CEO was the last straw on an already shaky thesis. Despite being one of our top portfolio performers in 2023, our holdings in online advertising verification engine DoubleVerify held back results in 2024 following two consecutive quarters where management had to reduce guidance. While the company remains a solid business, growth has decelerated as their lower margin product suddenly began growing faster than their high margin one at a time when some large customers pulled back on advertising spend. We sold most of our position earlier in the year but exited the remaining shares late in the year at lower prices.

Although we finished behind the index last year, there were many examples of outperforming stocks where the bottom-up research from our team led us to take meaningful position sizes in some of our higher conviction ideas. For example, strong revenue growth for advertising software company Zeta Global delivered strong stock outperformance, making it the portfolio's top stock contributor for the year. We trimmed the stock at higher prices during the year in recognition of the inherent risks and constant change in the ad tech space and exited the last of our shares fortuitously, prior to a short seller's report that took the stock down meaningfully. Our top ten position in leading next gen software provider for policy management, claims processing and billing to the P&C insurance industry Guidewire Software performed well on strong earnings results. We are attracted to the secular growth of its best-of-breed software solution that drives cost and revenue synergies by replacing 30-year old legacy home grown systems. The company's secular growth is derived from its high customer switching costs and ongoing cloud adoption among P&C customers. We also believe Guidewire is the best-in-class vendor with a modern technology offering and a strong management team. Also, under the heading of favorable stock selection, the portfolio once again benefited from M&A activity as two more holdings were acquired during the quarter, bringing our total to five

Portfolio Outlook and Positioning



takeouts for the year. During the fourth quarter Altair, a global leader in simulation software for various industrial end markets (auto, aerospace and manufacturing), was acquired by Siemens for a significant premium. Siemens was attracted to the secular growth from Altair's simulation and electronic design capabilities that is replacing physical prototyping. Our shares of concrete and aggregates producer Summit Materials were also acquired by competitor Quickrete for a nice premium. As always, the team continues to focus on identifying and taking meaningful positions in strategic assets that we believe have considerable long-term growth potential as standalone companies but may be attractive to strategic buyers looking to jumpstart their growth prospects with an acquisition. While M&A activity has been more moderate the last couple of years, it appears that the incoming administration is likely to create a more favorable environment for acquisition activity.

Portfolio positioning

We have made several moves in the portfolio over the past few months in part in response to the US election outcome and in part to address the portfolio's market cap creep versus the index following Russell's annual midyear rebalance that moved a larger than normal number of stocks out of the small-cap indexes and into large-cap ones. We don't want to be too reactionary to the election outcome and the regime changes given history as a guide and the reality that government red tape and checks and balances can cause stocks to overreact to appointee headlines and rhetoric such that policy and economic outcomes fall short of expectations. Given the red run across the board for the Republicans, certain components of Trump's second term are clearer to us, however. We see deregulation driving M&A, more scrutiny around government spending, higher Chinese tariffs and tailwinds to bitcoin prices amongst other higher probability outcomes. This has dictated some new ideas in the strategy, especially around increased capital markets activity with direct beneficiaries, Stepstone, PJT Partners and P10.

- Stepstone is a leading alternatives financial solutions provider similar to Hamilton Lane which is a long-time holding in our small growth portfolio. Stepstone is benefiting from increased allocations by institutional and high net worth investors to alternative assets such as private equity and credit, venture capital, real estate and infrastructure. Stepstone maintains a strong brand name and trust in the industry, has demonstrated strong fee earning assets under management and trades at a discount to some of its small cap competitors in the space.
- PJT Partners is an M&A advisory/restructuring/capital raising firm started by long-time Morgan Stanley banker Paul Taubman 10 years ago. We believe that the change in the US political landscape and the M&A and capital markets environment has set the stage for an acceleration in growth and margins as PJT's investments in seasoned partners during the last several years bears fruit in terms of market share gains, especially on the capital markets side of the business.
- We met with alternative asset manager P10 several times during the year to review what is a transformed business since their IPO. With the former global head of Goldman Sachs Asset Management coming on board as the new CEO and several other new key appointments, the company appears to be more professionally run and may be growing into a formidable player in the middle and lower middle markets space, primarily through their

Portfolio Outlook and Positioning



private equity and venture capital platforms along with the compliment of several acquisitions. With a strong fund performance track record, an infusion of outside talent, and improved capital allocation, we see upside to fee earnings growth and the multiple.

We also see biotech as an indirect beneficiary as M&A activity likely picks up. This makes our perpetual underweight in biotech (roughly 15% of the index) more concerning from a risk management perspective. We have historically offset most of this underweight with a picks and shovels strategy in owning life science tools companies who are positioned to benefit from the secular growth associated with drug discovery while being somewhat insulated from individual drug approval risk. The tools companies should ultimately benefit from improving capital markets activity and better funding of pipelines. We also believe an improved biotech spending environment should more than offset any cuts to government spending at the NIH. We have started a new position in a tools company Biolife Solutions and have also been actively on the hunt for new biotech ideas that fit our criteria such as Ligand Pharmaceuticals.

With regard to market cap, the Russell company that manages our index makes it a bit of a challenge to be investors with a long-term time horizon and low turnover as the index resets every 12 months and the median cap of the index can get cut in half depending on the magnitude of returns in the market. This year's shift exposed us to smaller-cap style risk, and in the recent risk-on market, the outperformance of smaller-cap companies in the Russell 2000 Growth Index was a significant headwind to our relative performance since the Russell rebalance at midyear.

We continue to build the portfolio from the bottom up, selecting the most attractive small-cap growth stocks that align with our investment style. We are optimistic that the fundamentals of our companies will begin to carry the weight of stock returns moving forward. We feel well positioned to outperform in this environment as we tend to focus on recurring revenue, long duration growth companies whose fundamentals should hold up better in a challenging macro.

Summary

As we look ahead to the future, we believe small-cap growth stocks offer a compelling investment opportunity today, especially in comparison to large-caps. After several years of lagging large-caps, small-caps appear under-owned here. Currently small-caps collectively represent a little less than 5% of the total stock market value as represented by the Russell 3000 Index, which is about the lowest level in 30 years. Valuations relative to large caps also appear attractive as the Russell 2000 currently trades at a below average premium relative to the S&P 500 of 13% versus a premium of 36% on average on average over the past 20 years based next-12-month P/E multiples. Small-caps also stand to benefit from the ongoing trend of bringing manufacturing operations back to the US as they tend to be more domestically focused than their large-cap peers.

Portfolio Outlook and Positioning



As always, we have not wavered from our long-term focus on durable small-cap growth companies at reasonable multiples. Regardless of what lies ahead, we remain confident in our investment process and ability to drive returns on our clients' behalf through our core competency of bottom-up fundamental research and security selection across a diverse number of stocks and market sectors.

55462.5

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-Dec-24	Equivalent exposure (%)
Cash & Cash Equivalents	2.3
Cash & Cash Equivalents	2.3
Communication Services	0.5
Vivid Seats Inc	0.5
Consumer Discretionary	10.3
Genius Sports Ltd	1.6
TopBuild Corp	1.6
Visteon Corp	1.3
Skechers U.S.A. Inc	1.2
Ollie's Bargain Outlet Holdings Inc	1.1
Lear Corp	1.0
Brunswick Corp/DE	0.8
Wingstop Inc	0.7
Chewy Inc	0.4
Modine Manufacturing Co	0.4
Consumer Staples	3.2
US Foods Holding Corp	2.2
elf Beauty Inc	0.8
Oatly Group AB ADR	0.1
Energy	6.4
Matador Resources Co	1.4
Antero Resources Corp	1.4
Permian Resources Corp	1.4
TechnipFMC PLC	1.2
Viper Energy Inc	1.0
Equity Warrants	0.0
Optinose Inc Warrant	0.0
Financials	7.2
Hamilton Lane Inc	1.2
WisdomTree Inc	1.2
StepStone Group Inc	1.0
Remitly Global Inc	1.0
GCM Grosvenor Inc	0.9
DigitalBridge Group Inc	0.8

As of 31-Dec-24	Equivalent exposure (%)
Financials	7.2
P10 Inc	0.7
PJT Partners Inc	0.5
Health Care	24.5
QIAGEN NV	1.4
Schrodinger Inc/United States	1.3
Certara Inc	1.3
Techne Corp	1.3
Globus Medical Inc	1.2
Amicus Therapeutics Inc	0.9
HealthEquity Inc	0.9
Ligand Pharmaceuticals Inc	0.9
Envista Holdings Corp	0.9
Harmony Biosciences Holdings Inc	0.9
Lantheus Holdings Inc	0.9
Penumbra Inc	0.8
PROCEPT BioRobotics Corp	0.8
UFP Technologies Inc	0.7
Blueprint Medicines Corp	0.7
Gerresheimer AG	0.7
Ascendis Pharma AS ADR	0.7
Natera Inc	0.7
SpringWorks Therapeutics Inc	0.7
Definitive Healthcare Corp	0.6
Ultragenyx Pharmaceutical Inc	0.6
Adaptive Biotechnologies Corp	0.6
Neurocrine Biosciences Inc	0.6
BioLife Solutions Inc	0.6
Collegium Pharmaceutical Inc	0.5
Kymera Therapeutics Inc	0.5
Immunocore Holdings PLC ADR	0.4
Cytokinetics Inc	0.4
Ceribell Inc	0.3

Portfolio Holdings



As of 31-Dec-24	Equivalent exposure (%)
Health Care	24.5
Legend Biotech Corp ADR	0.3
Tempus AI Inc	0.3
Maravai LifeSciences Holdings Inc	0.3
Viking Therapeutics Inc	0.3
CG oncology Inc	0.2
Annexon Inc	0.2
Fractyl Health Inc	0.1
Prelude Therapeutics Inc	0.0
BioAtla Inc	0.0
Industrials	20.0
Crane Co	1.9
RB Global Inc	1.7
Flowserve Corp	1.5
nVent Electric PLC	1.5
GFL Environmental Inc	1.4
Knight-Swift Transportation Holdings Inc	1.3
KBR Inc	1.2
CACI International Inc	1.2
ACV Auctions Inc	1.1
UL Solutions Inc	0.9
AZEK Co Inc	0.9
ExlService Holdings Inc	0.8
Standardaero Inc	0.8
TriNet Group Inc	0.8
XPO Inc	0.7
Jacobs Solutions Inc	0.6
Albany International Corp	0.5
Saia Inc	0.5
Bloom Energy Corp	0.5
Information Technology	19.9
SentinelOne Inc	1.8
Guidewire Software Inc	1.8

As of 31-Dec-24	Equivalent exposure (%)
Information Technology	19.9
FormFactor Inc	1.4
Advanced Energy Industries Inc	1.4
Alkami Technology Inc	1.3
nCino Inc	1.2
Q2 Holdings Inc	1.2
Onto Innovation Inc	1.1
CCC Intelligent Solutions Holdings Inc	1.1
JFrog Ltd	1.0
Littelfuse Inc	1.0
QXO Inc	0.9
Five9 Inc	0.9
Kinaxis Inc	0.8
Allegro MicroSystems Inc	0.7
Corsair Gaming Inc	0.7
Onestream Inc	0.7
Astera Labs Inc	0.4
Hut 8 Corp	0.3
ServiceTitan Inc	0.1
Materials	2.5
AptarGroup Inc	1.0
Knife River Corp	0.8
Axalta Coating Systems Ltd	0.7
Other	0.0
Other	0.0
Real Estate	3.1
Independence Realty Trust Inc REIT	1.3
Terreno Realty Corp REIT	1.1
STAG Industrial Inc REIT	0.7

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

Portfolio Holdings



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