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# MFS® Research International 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](https://mfs.com). Please read it carefully.

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Country and region information contained in this report is based upon MFS classification methodology which may differ from the methodology used by individual benchmark providers. 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.

## 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.

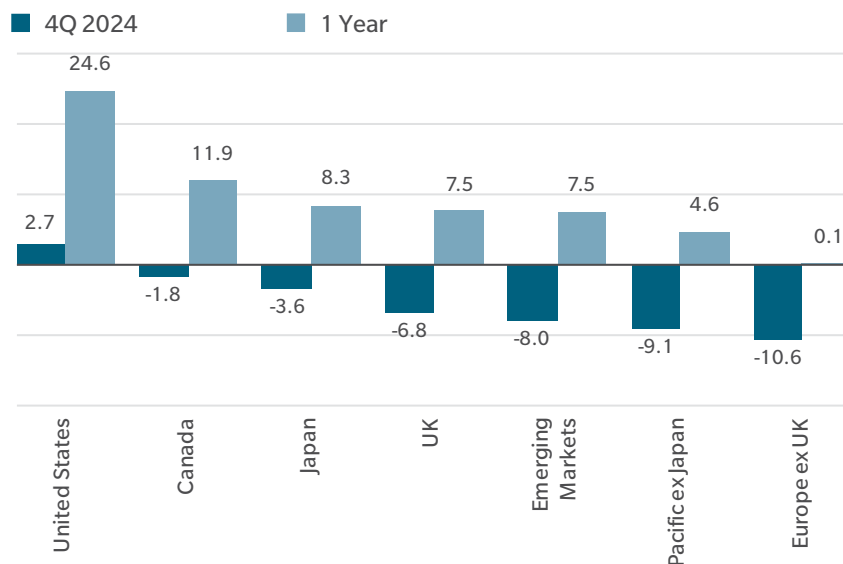
Please see the prospectus for further information on these and other risk considerations.

**Investment Objective:** Seeks capital appreciation.

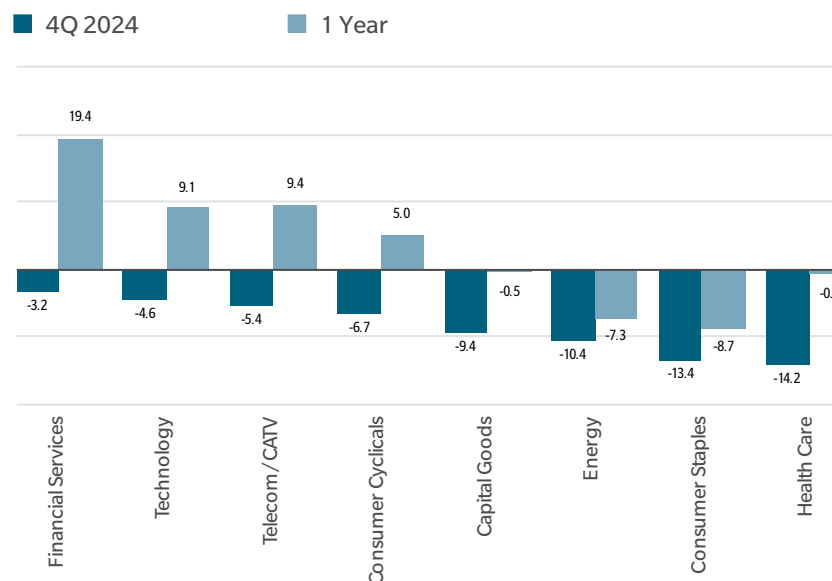
# Market Overview



Region 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: FactSet. Region performance based on MSCI regional/country indexes.

Source: FactSet. Sector performance based on Global Research sector classification.  
 The analysis of MSCI EAFE Index constituents are broken out by MFS defined sectors.

## Global Equities market review as of 31-Dec-24

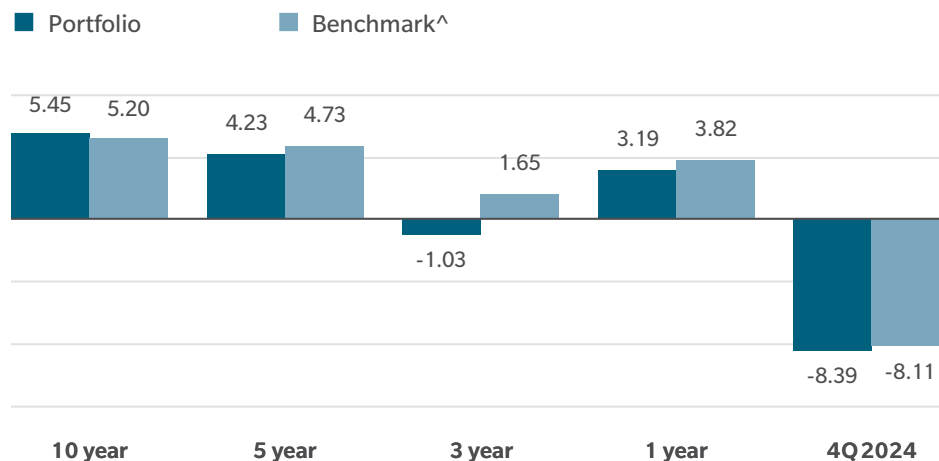
- The global equity market reached new highs during Q4 of 2024 as US election results drove a rally in the US market in anticipation of pro-growth policies.
- Non-US markets fared less well due to a strong US dollar, along with concerns about a weaker economic outlook, political uncertainty and tariff risks.
- Markets pulled back in December as rising bond yields and the prospect of fewer US interest rate cuts in 2025 weighed on investor sentiment.

- Entering 2025, equity markets may continue to benefit from AI enthusiasm, a strong US economy and easing monetary policies in most countries.
- Key risks include stretched valuations and high market concentration, which could reverse if the AI trade unwinds, as well as a potential resurgence of inflation, trade tensions and geopolitical risks.

# 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](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.

^ MSCI EAFE (Europe, Australasia, Far East) Index (net div)

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

Portfolio Benchmark^^

	Portfolio	Benchmark^^
<b>Top overweights</b>		
Energy	6.8	6.8
<b>Top underweights</b>		
Technology	12.6	13.1
Health Care	11.7	12.2
Capital Goods	24.1	24.4

^^ MSCI EAFE Index

The sectors described and the associated portfolio composition are based on MFS' own sector classification methodology which differs from industry classification standards, including the standard that is associated with the benchmark composition presented. The variance in sector weights between the portfolio and the benchmark would be different if an industry classification standard was used.

The MFS Research International Fund underperformed the MSCI EAFE (Europe, Australasia, Far East) Index (net div) in the fourth quarter of 2024.

**Contributors**

- Individual stocks:
  - Visa Inc
  - Cadence Design Systems Inc
  - NatWest Group PLC
  - Taiwan Semiconductor
  - Barclays PLC
  - Julius Baer Holding AG
  - Aon Plc

**Detractors**

- Individual stocks:
  - Toyota Motor Corp (not held)
  - SAP AG (not held)
  - HSBC Holdings PLC (not held)
  - Novo Nordisk
  - Sika Ag (Eq)
  - Symrise Ag (Eq)

# Performance Results



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

Period	Portfolio	Benchmark <sup>^</sup>	Excess return vs benchmark
4Q 2024	-8.39	-8.11	-0.28
3Q 2024	7.18	7.26	-0.08
2Q 2024	0.26	-0.42	0.68
1Q 2024	4.82	5.78	-0.96
2024	3.19	3.82	-0.63
2023	13.50	18.24	-4.74
2022	-17.24	-14.45	-2.79
2021	12.01	11.26	0.74
2020	13.29	7.82	5.47
10 year	5.45	5.20	0.26
5 year	4.23	4.73	-0.50
3 year	-1.03	1.65	-2.68
1 year	3.19	3.82	-0.63

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.

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<sup>^</sup> MSCI EAFE (Europe, Australasia, Far East) Index (net div)

# Performance Drivers - Sectors



Relative to MSCI EAFE Index (USD) - fourth 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>	Financial Services	-0.3	-1.0	-3.2	-0.0	0.1	0.4	0.4
	Cash	1.8	1.1	—	0.0	—	0.1	0.2
	Consumer Cyclicals	-0.1	-4.9	-6.7	-0.0	0.2	0.0	0.2
	Consumer Staples	-0.3	-13.5	-13.4	0.0	0.0	-0.0	0.0
<b>Detractors</b>	Technology	-0.4	-6.7	-4.6	-0.0	-0.4	0.1	-0.3
	Energy	-0.0	-13.0	-10.4	0.0	-0.2	0.0	-0.2
	Capital Goods	-0.1	-9.9	-9.4	-0.0	-0.5	0.3	-0.1
	Health Care	-0.4	-15.4	-14.2	0.0	-0.1	-0.0	-0.1
	Telecom/CATV	-0.1	-5.6	-5.4	-0.0	-0.0	0.0	-0.0
<b>Total</b>			<b>-8.0</b>	<b>-8.1</b>	<b>0.1</b>	<b>-1.0</b>	<b>1.0</b>	<b>0.1</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. 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](mailto:DLAttributionGrp@MFS.com).

The sectors described and the associated portfolio composition are based on MFS' own sector classification methodology which differs from industry classification standards, including the standard that is associated with the benchmark composition presented. The variance in sector weights between the portfolio and the benchmark would be different if an industry classification standard was used.

# Performance Drivers - Stocks



Relative to MSCI EAFE Index (USD) - fourth quarter 2024		Average Weighting (%)		Returns (%)		Relative contribution(%)
		Portfolio	Benchmark	Portfolio <sup>1</sup>	Benchmark	
<b>Contributors</b>	Visa Inc	1.4	—	15.2	—	0.3
	Cadence Design Systems Inc	1.2	—	10.9	—	0.2
	NatWest Group PLC	1.6	0.2	9.2	9.2	0.2
	Taiwan Semiconductor	1.3	—	8.8	—	0.2
	Barclays PLC	1.4	0.3	11.5	11.5	0.2
<b>Detractors</b>	Toyota Motor Corp	—	1.1	—	13.0	-0.2
	SAP AG	—	1.5	—	7.3	-0.2
	HSBC Holdings PLC	—	1.0	—	10.7	-0.2
	Novo Nordisk	2.9	2.1	-26.4	-26.4	-0.2
	Sika Ag (Eq)	0.9	0.3	-28.3	-28.3	-0.1

<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. 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](mailto:DLAttributionGrp@MFS.com).



## Significant Impacts on Performance - Detractors



Relative to MSCI EAFE Index (USD) - fourth quarter 2024		Relative contribution (%)
<b>Toyota Motor Corp</b>	Not owning shares of car maker Toyota Motor (Japan) weighed on relative performance. The share price rose as the company reported better-than-expected earnings on stronger car sales volumes. Aside from one-time cost factors related to certification fines and penalties, the company upwardly adjusted its forward earnings guidance to reflect improving car sales growth.	-0.2
<b>SAP AG</b>	Not owning shares of enterprise applications company SAP (Germany) weighed on relative performance. The stock price advanced as the company posted better-than-expected operating profits led by solid Cloud & Software growth, growing traction within Business AI solutions, and a healthy large-scale deals pipeline.	-0.2
<b>HSBC Holdings PLC</b>	Not owning shares of banking and financial services company HSBC (United Kingdom) held back relative returns. The share price appreciated as the company reported better-than-expected third-quarter financial results driven by strong fees and other income results.	-0.2

## Significant Impacts on Performance - Contributors



Relative to MSCI EAFE Index (USD) - fourth quarter 2024		Relative contribution (%)
<b>Visa Inc</b>	The portfolio's position in digital payment services provider Visa (United States) aided relative performance. The company delivered net revenues well ahead of market expectations thanks to stronger-than-expected payments and cross-border volume. Service and data processing revenues were also above market estimates.	0.3
<b>Cadence Design Systems Inc</b>	Holdings of integrated circuits and electronic devices developer Cadence Design Systems (United States) contributed to relative returns. The company reported earnings per share results ahead of consensus, driven by outsized performance in hardware and IP and continued acceleration of recurring revenues.	0.2
<b>NatWest Group PLC</b>	The portfolio's overweight position in financial services company NatWest Group (United Kingdom) contributed to relative returns. The stock price advanced as the company reported third-quarter earnings above market expectations driven by better-than-expected net interest income results.	0.2

## Significant Transactions



From 01-Oct-24 to 31-Dec-24		Sector	Transaction type	Trade (%)	Ending weight (%)
<b>Purchases</b>	ABN AMRO BANK NV (EQ)	Financial Services	New position	0.9	1.0
	B3 SA - BRASIL BOLSA BALCAO	Financial Services	New position	0.6	0.6
	SOMPO HOLDINGS INC	Financial Services	New position	0.5	0.5
	ERSTE GROUP BANK AG	Financial Services	New position	0.5	0.5
	CADENCE DESIGN SYSTEMS INC	Technology	Add	0.4	1.4
<b>Sales</b>	ING GROEP NV	Financial Services	Trim	-0.9	0.1
	CAIXABANK SA	Financial Services	Eliminate position	-0.9	-
	UBS GROUP AG	Financial Services	Eliminate position	-0.8	-
	ZURICH INSURANCE GROUP AG	Financial Services	Eliminate position	-0.8	-
	BRIDGESTONE CORP	Capital Goods	Eliminate position	-0.5	-

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## Sector Weights



As of 31-Dec-24	Portfolio (%)	Benchmark <sup>^</sup> (%)	Underweight/overweight(%)	Top holdings
Energy	6.8	6.8	0.0	TotalEnergies SE, Iberdrola SA, Galp Energia SGPS SA
Consumer Staples	7.2	7.3	-0.1	Nestle SA, Diageo PLC, British American Tobacco PLC
Financial Services	23.4	23.5	-0.1	NatWest Group PLC, Aon PLC, Barclays PLC
Telecom / CATV	2.7	2.8	-0.1	KDDI Corp
Consumer Cyclicals	9.8	10.0	-0.2	LVMH Moet Hennessy Louis Vuitton SE, Cie Financiere Richemont SA, Wolters Kluwer NV
Capital Goods	24.1	24.4	-0.3	Schneider Electric SE, Linde PLC, MTU Aero Engines AG
Health Care	11.7	12.2	-0.5	Roche Holding AG, Novo Nordisk AS, Sanofi SA
Technology	12.6	13.1	-0.5	Hitachi Ltd, ASML Holding NV, Taiwan Semiconductor Manufacturing Co Ltd

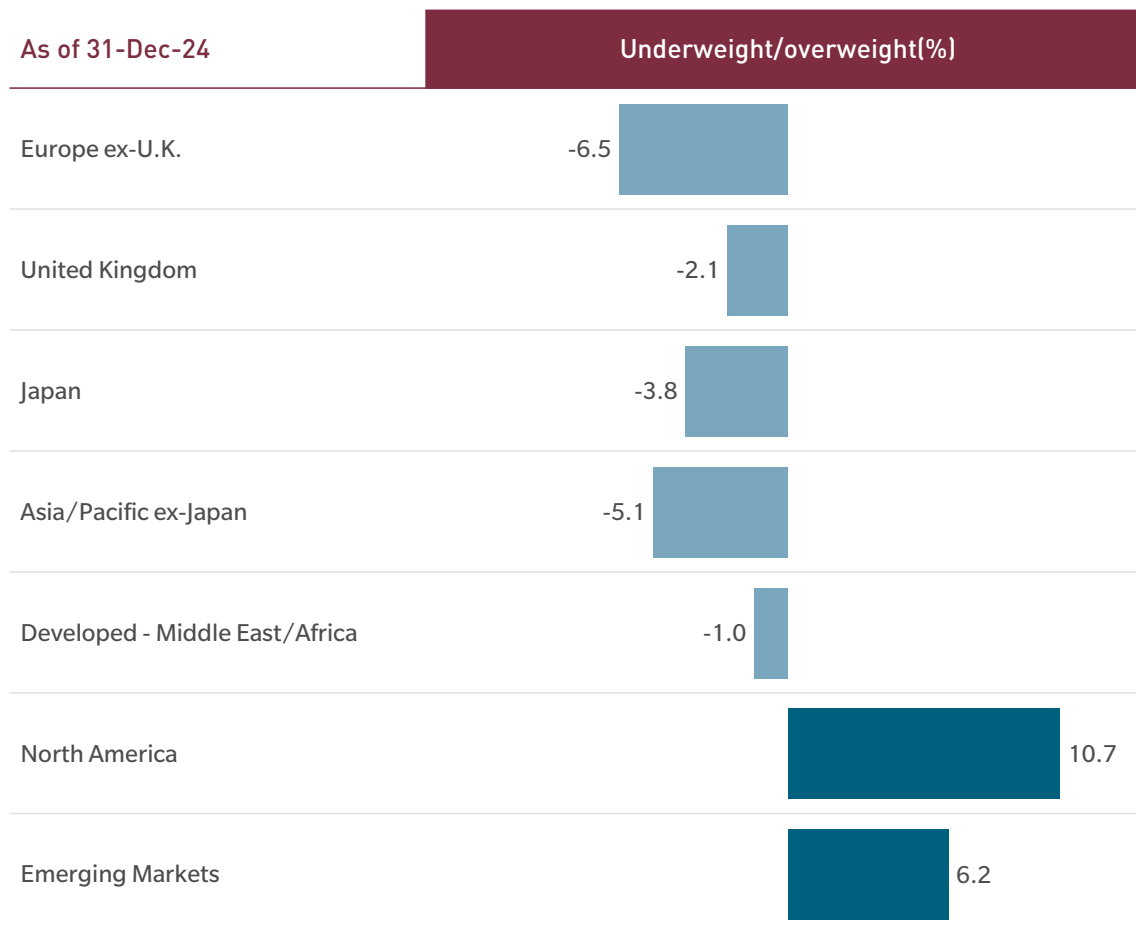
<sup>^</sup> MSCI EAFE Index

1.6% Cash & cash equivalents

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

The sectors described and the associated portfolio composition are based on MFS' own sector classification methodology which differs from industry classification standards, including the standard that is associated with the benchmark composition presented. The variance in sector weights between the portfolio and the benchmark would be different if an industry classification standard was used.

# Region Weights



1.6% Cash & cash equivalents

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

The portfolio does not own securities represented in the benchmark in the following percentages: Developed - Middle East/Africa region 1.0%.

## Region and Country Weights



As of 31-Dec-24	Portfolio (%)	Benchmark <sup>^</sup> (%)	Underweight/overweight(%)
<b>Europe ex-U.K.</b>	<b>43.1</b>	<b>49.6</b>	<b>-6.5</b>
France	13.9	11.1	2.8
Ireland	2.1	0.3	1.8
Portugal	1.0	0.2	0.8
Netherlands	5.0	4.5	0.5
Austria	0.5	0.2	0.3
Denmark	3.0	2.9	0.1
Spain	2.7	2.7	0.0
Switzerland	8.0	9.6	-1.6
Italy	0.8	2.8	-2.0
Germany	6.1	9.2	-3.1
Other countries <sup>1</sup>	0.0	6.1	-6.1
<b>United Kingdom</b>	<b>12.9</b>	<b>15.0</b>	<b>-2.1</b>
<b>Japan</b>	<b>19.4</b>	<b>23.2</b>	<b>-3.8</b>
<b>Asia/Pacific ex-Japan</b>	<b>6.1</b>	<b>11.2</b>	<b>-5.1</b>
Hong Kong	2.5	2.0	0.5
Australia	3.6	7.4	-3.8
Other countries <sup>1</sup>	0.0	1.9	-1.9

	Portfolio (%)	Benchmark <sup>^</sup> (%)	Underweight/overweight(%)
<b>Developed - Middle East/Africa</b>	<b>0.0</b>	<b>1.0</b>	<b>-1.0</b>
Other countries <sup>1</sup>	0.0	1.0	-1.0
<b>North America</b>	<b>10.7</b>	<b>0.0</b>	<b>10.7</b>
United States	8.6	0.0	8.6
Canada	2.1	0.0	2.1
<b>Emerging Markets</b>	<b>6.2</b>	<b>0.0</b>	<b>6.2</b>
India	1.5	0.0	1.5
Taiwan	1.4	0.0	1.4
Brazil	1.2	0.0	1.2
South Korea	0.9	0.0	0.9
Thailand	0.6	0.0	0.6
China	0.3	0.0	0.3
Greece	0.2	0.0	0.2

<sup>^</sup> MSCI EAFE Index

1.6% Cash & cash equivalents

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

<sup>1</sup> The portfolio does not own any securities in countries represented in the benchmark in the following percentages: Sweden 3.6%; Singapore 1.7%; Belgium 1.0%; Finland 1.0%; Israel 1.0% and 3 countries with weights less than 1.0% which totals to 0.8%.

# Characteristics



As of 31-Dec-24	Portfolio	Benchmark <sup>^</sup>
<b>Fundamentals - weighted average</b>		
IBES long-term EPS growth <sup>1</sup>	10.3%	10.0%
Price/earnings (12 months forward ex-negative earnings)	14.7x	13.9x
Price/book	2.2x	1.9x
Return on equity (3-year average)	19.8%	17.5%
<b>Market capitalization</b>		
Market capitalization (USD) <sup>2</sup>	103.8 bn	88.5 bn
<b>Diversification</b>		
Top ten issues	23%	14%
Number of Issues	110	722
<b>Turnover</b>		
Trailing 1 year turnover <sup>3</sup>	20%	—
<b>Risk profile (current)</b>		
Active share	77%	—
<b>Risk/reward (10 year)</b>		
Historical tracking error	3.25%	—
Beta	0.94	—
Standard deviation	14.72%	15.23%
Information ratio	0.08	—

<sup>^</sup> MSCI EAFE 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-Dec-24	Portfolio (%)	Benchmark^ (%)
SCHNEIDER ELECTRIC SE	3.7	0.8
LINDE PLC	2.9	-
ROCHE HOLDING AG	2.6	1.3
HITACHI LTD	2.5	0.7
NOVO NORDISK A/S	2.5	1.7
NESTLE SA	2.0	1.3
LVMH MOET HENNESSY LOUIS VUITTON SE	2.0	1.1
NATWEST GROUP PLC	1.7	0.2
AON PLC	1.7	-
ASML HOLDING NV	1.6	1.7
<b>Total</b>	<b>23.2</b>	<b>9.0</b>

^ MSCI EAFE Index



## Portfolio Outlook and Positioning



Financials was the top contributing sector during the quarter and finished in line with the EAFE Index for the year, with positive contribution from diversified financials as well as brokers and asset managers. Visa, a digital payment services provider, was the top contributing name during the quarter. Visa delivered revenues well ahead of expectations thanks to stronger-than-expected volume and data processing revenues. NatWest was the second biggest contributor, posting better-than-expected net interest income results. On the other hand, not owning HSBC held back relative returns as the company reported solid results driven by strong fees and other income results. LEG Immobilien also detracted as the German real estate company saw higher interest expenses and lower subsidies.

This year the team worked on the global banks capital framework comparison and midyear made strategic shifts in positioning, rebalancing banking exposure closer to neutral with a targeted increase in the European Union (EU) banking industry where we found an opportunity given what we view as mispricing from a valuation and/or capital distribution perspective. There were many compelling opportunities based on bottom-up projections, and we took the approach of diversifying our exposures and minimizing idiosyncratic risk. Toward the end of the quarter, trims to the banking industry were executed primarily targeting Euro-exposed banks where net income is vulnerable to lower rates, bringing banking exposures back toward an underweight. Notable reductions over the fourth quarter included a large trim to ING Groep and the sale of Caixabank and UBS. This also led us to maintain/increase our exposures to the British pound, US dollar and Central and Eastern European (CEE) rate complexes. Here we added to banking names ABN Amro and Erste Group. Within banks, we continue to own banks with very strong capital return profiles and healthy returns which provide risk management strategies. Many of our holdings are seeing loan growth. Outside of banking, we added to two new names: Japanese insurance company Sampo, whose capital return and management potential is under-appreciated and Brazilian stock exchange B3. On the selling side, we exited Zurich Insurance on the back of valuation rerating and brought down our German residential real estate position.

Capital goods modestly detracted for the quarter but was the strongest contributing industry in 2024. Our overweight and selection within the specialty chemicals industry was the biggest detractor in the fourth quarter, whereas our selection in machinery & tools and an underweight to metals & mining bolstered relative returns. Within specialty chemicals, Symrise reported softer sales in its scent and care business segment led by customer destocking and an end-market slowdown, while Sika cited weaker like-for-like sales growth throughout Europe. Further, Glencore, one of the few metals & mining names we hold in the portfolio, has been facing lower coal prices, general weakness in the commodity complex as well as impairments in a few operating locations. On a positive note, MTU Aeroengines was a top contributor as the costs associated with the repair of geared turbo fans now appears manageable. Additionally, we believe the

## Portfolio Outlook and Positioning



company can benefit from a pick up in demand across the civil aerospace market. Not owning BHP Billiton and other mining giants aided returns as the base metals mining complex deals with weakness driven in part by uncertainty around China's recovery. During the quarter we initiated a position James Hardie Industries, where we see a structural growth tailwind as customer preference continues to shift to fiber over vinyl boards. Lastly, we exited Bridgestone as their tire markets remain under threat from increasing competition, which may limit the targeted margin improvement opportunity.

Our telecom/CATV holdings performed in line with the EAFE Index for the quarter and in 2024. Thailand-domiciled telco, Advanced Info Service (AIS), continued to outperform given Thailand's moderate economic recovery. AIS' Q3 results continued to signal better competitive dynamics in the now two-player market in both mobile and fixed. Our holdings in Japan, KDDI and Softbank Group also outperformed the EAFE telcos benchmark during the quarter. Meanwhile, European telcos underperformed, with holding Cellnex giving back third quarter gains as the Fed rate cutting cycle is now in question given lingering inflation. During the quarter, we opportunistically trimmed AIS given the relative outperformance.

Consumer cyclicals contributed to relative performance during the quarter but was a detractor for 2024. Australian-listed slot machine manufacturer Aristocrat Leisure and Japanese CVS operator Seven and I were positive contributors to outperformance, while luxury goods owner LVMH was a detractor. During the quarter, we exited our holdings in Japanese online operator, Zozo following strong performance and started a position in Japanese retailer Pan Pacific Holdings, one of the few domestic retailers in Japan taking market share and increasing margins. We believe Pan Pacific has a differentiated approach to inventory and store management and recognize its successful turnaround of store acquisitions. We also started a position in attractively valued UK-based retailer Next. We think the company is well positioned to keep taking market share from its shrinking competitors. Furthermore, we've also become incrementally more constructive on the UK consumer. We exited remaining positions in Yum China Holdings and Nike where relative valuation was comparatively less attractive versus our new positions.

Technology detracted from relative performance during the quarter but contributed positively in 2024. Not owning SAP, Sony and Recruit were the largest detractors in the fourth quarter. SAP exceeded operating profit margins, driven by strong cloud and software growth and increased traction within AI solutions. Sony, the maker of PlayStation, saw strength in its gaming and network services business. Lastly, Recruit experience stronger-than-anticipated profits in its human resource technology and marketing solutions

## Portfolio Outlook and Positioning



divisions. Meanwhile, our investment in Cadence Design Systems, a mission-critical electronic design automation (EDA) company, boosted relative returns after the company announced results that surpassed consensus, driven by exceptional performance in hardware and IP and continued recurring revenue acceleration. Holdings of TSMC bolstered relative returns after the company reported a significant increase in profits and sales for the third quarter, due to robust AI-related demand. We increased our investment in Cadence Design Systems during the quarter. The company had seen a significant stock price decline from its November 2023 peak. That said, we believe the market is not yet factoring in a new computing paradigm in which there will be demand for various chips, leading to a proliferation of different types, rather than a one chip rules them all outcome. In this scenario, the EDA space has less risk compared to semiconductor production equipment (SPE). We also initiated a position in Disco, a maker of precision tools and processing equipment for the semiconductor industry. We believe the company is well positioned to capitalize on secular changes in wafer fab equipment (WFE) spend. Finally, we trimmed our position in ASML on concerns there may be further downward revisions and a possible change in the long-term secular outlook for lithography relative to other forms of WFE.

The health care sector detracted for the quarter, with several companies facing short-term setbacks. Novo Nordisk's stock dropped sharply after its weight loss drug, GagriSema, failed to meet internal benchmarks. Merck also declined due to lower-than-expected sales in its healthcare and electronics divisions, compounded by macroeconomic weakness. Furthermore, Olympus came under pressure following its CEO's resignation in late October. On the positive side, not owning AstraZeneca or Novartis helped relative performance. AstraZeneca's share price fell due to issues surrounding its sales practices in China, while Novartis posted lower-than-expected guidance for growth. Over the quarter, we added to Daiichi Sankyo. We believe the company offers the best risk-reward profile among Japanese pharmaceutical companies given its multiple ADC pipelines. We also added to Sanofi, based on our confidence in its management team and the medium-term sales potential of its blockbuster drug Dupixent. During the quarter we trimmed Chugai as the stock has priced in their most recent positive earnings results, plus fairly high expectations for their oral GLP-1, currently in phase 3 trials. We also trimmed Olympus, where the FDA issues have strained resources. Additionally, we eliminated our position in Santen due to uncertainties in its five-year earnings outlook.

Energy detracted from relative performance during the quarter but contributed positively in 2024. This was driven by short-term weakness in Reliance Industries, E.On, APA Group and Total during the quarter. However, we do not believe that the underlying long-term investment cases for this group has materially shifted. Brent oil began the fourth quarter at \$72 a barrel, averaging just under \$80

## Portfolio Outlook and Positioning



for the year. This was \$10 to \$15 above our midrange estimate. Despite this, 2024 was tough, with rising costs and capex pressure reducing corporate returns. The refining, marketing and chemical segments showed demand weakness, making the sector the second worst performer in the index, just above consumer staples. The market's outlook for 2025 and 2026 is bearish, with expectations of a surplus due to weakening demand, especially from China, high non-OPEC supply, US Shale, offshore production and significant OPEC spare capacity. However, 2024 showed that non-OPEC supply growth forecasts might be too optimistic, and demand estimates too pessimistic. A cold start to the northern hemisphere winter highlighted supply concerns, with new LNG supply in 2024 falling short. The long-term challenge remains meeting energy demand while transitioning to new sources. The US shale boom may be nearing its end, and the equity market may not ignore the energy sector forever. Positioning within energy remained relatively consistent over the quarter with no significant trading to highlight.

Consumer staples performed in line with the EAFE sector for the quarter and the year. Our avoidance of L'Oreal benefitted relative performance as weak demand out of China weighed on the stock. Holdings of British American Tobacco boosted returns as the company provided a favorable 2025 US outlook, partially driven by stricter enforcement of regulations on illegal disposable vapes. On the other hand, our position in Nestle detracted from relative returns as the company cited softening consumer demand and prioritization of affordability impacting sales. Further, Heineken came under pressure as the company reported minimal third quarter organic revenue growth, noting weak demand in several key regions. We added to both Nestle and Heineken in the fourth quarter. With Nestle, we believe the company is dedicated to reinvesting in innovation and marketing, which should enhance their outlook as consumer demand rebounds. For Heineken, we expect operational improvement in Europe and anticipate premiumization will drive solid volume growth and long-term gross margin expansion.

51180.13

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	Country	Equivalent exposure (%)
<b>Capital Goods</b>		<b>24.1</b>
Schneider Electric SE	France	3.7
Linde PLC	United States	2.9
MTU Aero Engines AG	Germany	1.2
Mitsubishi Electric Corp	Japan	1.1
Legrand SA	France	1.1
GEA Group AG	Germany	1.1
SMC Corp	Japan	1.0
Glencore PLC	United Kingdom	0.9
Techtronic Industries Co Ltd	Hong Kong	0.9
Shin-Etsu Chemical Co Ltd	Japan	0.9
Toyota Industries Corp	Japan	0.9
Daikin Industries Ltd	Japan	0.9
Mitsui & Co Ltd	Japan	0.9
Symrise AG	Germany	0.8
Denso Corp	Japan	0.8
Sika AG	Switzerland	0.8
Ritchie Bros Auctioneers Inc	Canada	0.7
Weir Group PLC	United Kingdom	0.6
Thales SA	France	0.6
Cie Generale des Etablissements Michelin SCA	France	0.6
Akzo Nobel NV	Netherlands	0.5
Croda International PLC	United Kingdom	0.5
James Hardie Industries PLC	Australia	0.3
<b>Cash &amp; Cash Equivalents</b>		<b>1.6</b>
Cash & Cash Equivalents		1.6
<b>Consumer Cyclicals</b>		<b>9.8</b>
LVMH Moet Hennessy Louis Vuitton SE	France	2.0
Cie Financiere Richemont SA	Switzerland	1.2
Wolters Kluwer NV	Netherlands	1.1
Aristocrat Leisure Ltd	Australia	1.1
Seven & i Holdings Co Ltd	Japan	1.0
Ryanair Holdings PLC ADR	Ireland	0.6

As of 31-Dec-24	Country	Equivalent exposure (%)
<b>Consumer Cyclicals</b>		<b>9.8</b>
Whitbread PLC	United Kingdom	0.5
Flutter Entertainment PLC	Ireland	0.4
Pan Pacific International Holdings Corp	Japan	0.4
CAR Group Ltd	Australia	0.3
Sands China Ltd	Hong Kong	0.3
Next PLC	United Kingdom	0.3
Burberry Group PLC	United Kingdom	0.2
Yamaha Corp	Japan	0.2
Seek Ltd	Australia	0.2
Persol Holdings Co Ltd	Japan	0.2
<b>Consumer Staples</b>		<b>7.2</b>
Nestle SA	Switzerland	2.0
Diageo PLC	United Kingdom	1.4
British American Tobacco PLC	United Kingdom	1.3
Kao Corp	Japan	0.7
Heineken NV	Netherlands	0.7
Novozymes AS	Denmark	0.6
Kirin Holdings Co Ltd	Japan	0.5
<b>Energy</b>		<b>6.8</b>
TotalEnergies SE	France	1.4
Iberdrola SA	Spain	1.2
Galp Energia SGPS SA	Portugal	1.0
Eni SpA	Italy	0.8
E.ON SE	Germany	0.5
Woodside Energy Group Ltd	Australia	0.5
Reliance Industries Ltd	India	0.5
CLP Holdings Ltd	Hong Kong	0.4
China Resources Gas Group Ltd	China	0.3
APA Group	Australia	0.2
<b>Financial Services</b>		<b>23.4</b>
NatWest Group PLC	United Kingdom	1.7
Aon PLC	United States	1.7

# Portfolio Holdings



As of 31-Dec-24	Country	Equivalent exposure (%)
<b>Financial Services</b>		<b>23.4</b>
Barclays PLC	United Kingdom	1.6
Euronext NV	France	1.6
Visa Inc	United States	1.5
Mitsubishi UFJ Financial Group Inc	Japan	1.5
Julius Baer Group Ltd	Switzerland	1.5
BNP Paribas SA	France	1.3
Beazley PLC	United Kingdom	1.3
London Stock Exchange Group PLC	United Kingdom	1.3
Bank of Ireland Group PLC	Ireland	1.1
HDFC Bank Ltd	India	1.1
ABN AMRO Bank NV	Netherlands	1.0
AIA Group Ltd	Hong Kong	0.8
Hiscox Ltd	United Kingdom	0.7
B3 SA - Brasil Bolsa Balcao	Brazil	0.6
LEG Immobilien SE	Germany	0.6
Willis Towers Watson PLC	United States	0.6
Banco Bradesco SA ADR	Brazil	0.5
Sompo Holdings Inc	Japan	0.5
Erste Group Bank AG	Austria	0.5
Samsung Fire & Marine Insurance Co Ltd	South Korea	0.4
ING Groep NV	Netherlands	0.1
<b>Health Care</b>		<b>11.7</b>
Roche Holding AG	Switzerland	2.6
Novo Nordisk AS	Denmark	2.5
Sanofi SA	France	1.2
CSL Ltd	Australia	1.0
QIAGEN NV	Germany	1.0
Merck KGaA	Germany	0.8
Daiichi Sankyo Co Ltd	Japan	0.7
Chugai Pharmaceutical Co Ltd	Japan	0.6
ConvaTec Group PLC	United Kingdom	0.6
Olympus Corp	Japan	0.4

As of 31-Dec-24	Country	Equivalent exposure (%)
<b>Health Care</b>		<b>11.7</b>
Terumo Corp	Japan	0.3
<b>Other</b>		<b>0.0</b>
Other		0.0
<b>Technology</b>		<b>12.6</b>
Hitachi Ltd	Japan	2.5
ASML Holding NV	Netherlands	1.6
Taiwan Semiconductor Manufacturing Co Ltd	Taiwan	1.4
Cadence Design Systems Inc	United States	1.4
Constellation Software Inc/Canada	Canada	1.4
Amadeus IT Group SA	Spain	1.0
Renesas Electronics Corp	Japan	0.7
Fujitsu Ltd	Japan	0.6
NXP Semiconductors NV	United States	0.5
Samsung Electronics Co Ltd	South Korea	0.5
Capgemini SE	France	0.4
Disco Corp	Japan	0.2
Nomura Research Institute Ltd	Japan	0.2
Secom Co Ltd	Japan	0.1
Constellation Software Inc	Canada	0.0
<b>Telecom / CATV</b>		<b>2.7</b>
KDDI Corp	Japan	0.7
SoftBank Group Corp	Japan	0.6
Advanced Info Service PCL	Thailand	0.6
Cellnex Telecom SA	Spain	0.5
Hellenic Telecommunications Organization SA	Greece	0.2

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

The sectors described and the associated portfolio composition are based on MFS' own sector classification methodology which differs from industry classification standards, including the standard that is associated with the benchmark composition presented. The variance in sector weights between the portfolio and the benchmark would be different if an industry classification standard was used.

## Additional Disclosures



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