# MFS® Global Growth 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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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.

**Emerging Markets:** Emerging markets can have less market structure, depth, and regulatory, custodial or operational oversight and greater political, social, geopolitical and economic instability than developed markets.

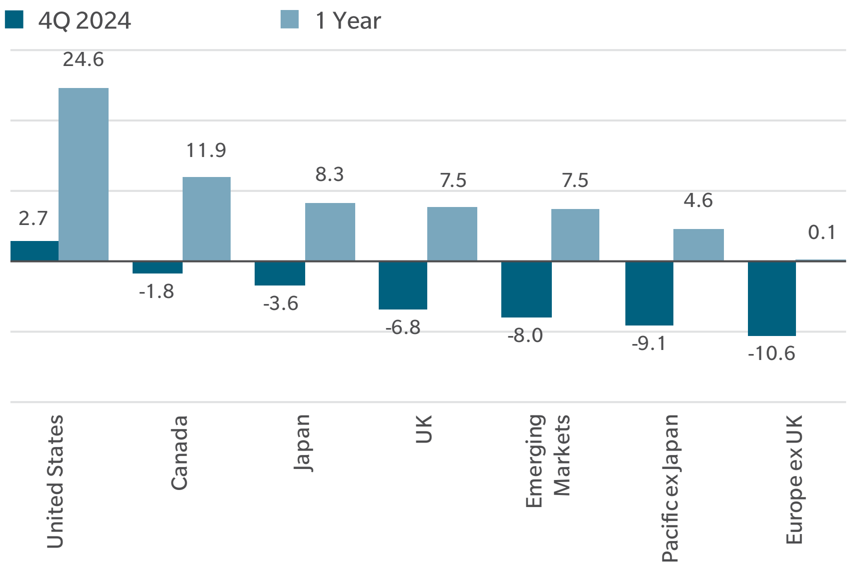
**Growth:** Investments in growth companies can be more sensitive to the company's earnings and more volatile than the stock market in general.

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

**Investment Objective:** Seeks capital appreciation.

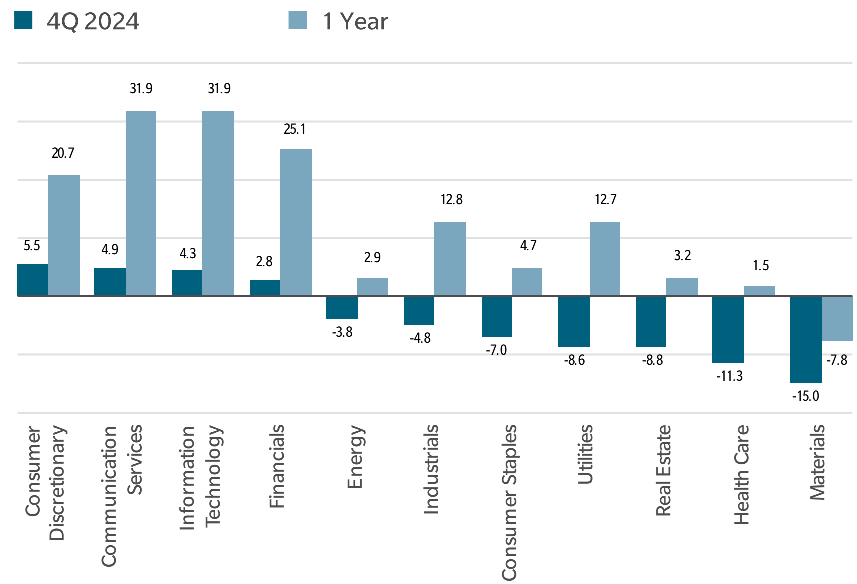
# Market Overview

Region 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.

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




Source: FactSet. Sector performance based on MSCI sector classification. The analysis of MSCI All Country World Index constituents are broken out by MSCI defined sectors.

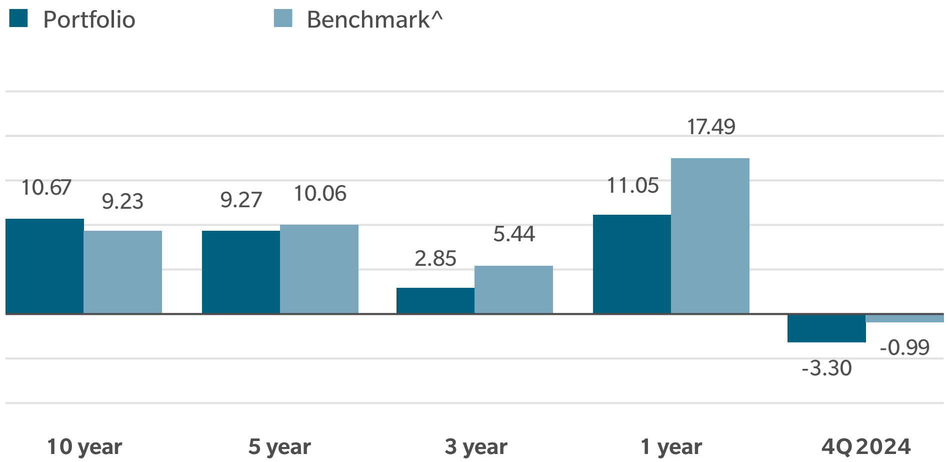
## Global Equities market review as of 31-Dec-24

- 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

MFS

## 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.

^ MSCI All Country World Index (net div)

| Sector weights (%) as of 31-Dec-24 | Portfolio | Benchmark^^ |
|---|---|---|
| **Top overweights** | | |
| Information Technology | 29.3 | 26.0 |
| Industrials | 12.9 | 10.2 |
| Health Care | 11.8 | 9.7 |
| **Top underweights** | | |
| Energy | - | 3.8 |
| Consumer Discretionary | 8.9 | 11.3 |
| Materials | 1.6 | 3.4 |

^^ MSCI All Country World Index

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The MFS Global Growth Fund underperformed the MSCI All Country World Index (net div) in the fourth quarter of 2024.

**Contributors**

- Financials - Stock selection
- Currency
- Individual stocks:
  - Taiwan Semiconductor
  - Salesforce Inc

**Detractors**

- Consumer Discretionary - Stock selection
- Individual stocks:
  - Broadcom Limited (not held)
  - Estee Lauder Cos Inc/The
  - American Tower Corp
  - Canadian Pacific Kansas City Ltd
  - Icon Plc

# Performance Results

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

| Period | Portfolio | Benchmark^ | Excess return vs benchmark |
|---|---|---|---|
| 4Q 2024 | -3.30 | -0.99 | -2.31 |
| 3Q 2024 | 7.09 | 6.61 | 0.48 |
| 2Q 2024 | 0.84 | 2.87 | -2.03 |
| 1Q 2024 | 6.34 | 8.20 | -1.86 |
| 2024 | 11.05 | 17.49 | -6.44 |
| 2023 | 21.00 | 22.20 | -1.20 |
| 2022 | -19.03 | -18.36 | -0.67 |
| 2021 | 18.74 | 18.54 | 0.20 |
| 2020 | 20.62 | 16.25 | 4.36 |
| 10 year | 10.67 | 9.23 | 1.44 |
| 5 year | 9.27 | 10.06 | -0.79 |
| 3 year | 2.85 | 5.44 | -2.59 |
| 1 year | 11.05 | 17.49 | -6.44 |

**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.
^ MSCI All Country World Index (net div)

# Performance Drivers - Sectors

| Relative to MSCI All Country World Index (USD) - fourth quarter 2024 | | Average relative weighting (%) | Portfolio returns (%) | Benchmark returns (%) | Sector allocation[1] (%) + | Stock selection[2] (%) + | Currency effect (%) = | Relative contribution (%) |
|---|---|---|---|---|---|---|---|---|
| Contributors | Financials | -0.4 | 7.3 | 2.8 | -0.0 | 0.3 | 0.3 | 0.7 |
| | Materials | -2.1 | -18.2 | -15.0 | 0.3 | -0.1 | 0.1 | 0.2 |
| | Utilities | -1.2 | -4.9 | -8.6 | 0.1 | 0.0 | 0.0 | 0.2 |
| | Energy | -4.0 | — | -3.8 | 0.1 | — | 0.0 | 0.1 |
| | Cash | 0.9 | 1.1 | — | 0.0 | — | 0.0 | 0.1 |
| Detractors | Consumer Discretionary | -2.0 | -8.1 | 5.5 | -0.1 | -1.2 | -0.0 | -1.3 |
| | Industrials | 2.2 | -8.7 | -4.8 | -0.1 | -0.6 | 0.0 | -0.6 |
| | Information Technology | 3.3 | 1.6 | 4.3 | 0.1 | -0.6 | -0.1 | -0.6 |
| | Consumer Staples | 1.5 | -11.3 | -7.0 | -0.1 | -0.5 | 0.1 | -0.5 |
| | Real Estate | -0.5 | -19.8 | -8.8 | 0.0 | -0.2 | 0.0 | -0.2 |
| | Communication Services | 0.3 | 2.7 | 4.9 | 0.0 | -0.1 | -0.1 | -0.2 |
| | Health Care | 1.9 | -10.6 | -11.3 | -0.2 | -0.2 | 0.3 | -0.1 |
| Total | | | **-3.1** | **-0.9** | **0.2** | **-3.1** | **0.7** | **-2.2** |

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 MSCI All Country World Index (USD) - fourth quarter 2024 | | Average Weighting (%) Portfolio | Average Weighting (%) Benchmark | Returns (%) Portfolio[1] | Returns (%) Benchmark | Relative contribution(%) |
|---|---|---|---|---|---|---|
| Contributors | Visa Inc | 3.7 | 0.6 | 15.2 | 15.2 | 0.5 |
| | Taiwan Semiconductor | 3.6 | 1.0 | 14.0 | 8.8 | 0.4 |
| | Salesforce Inc | 2.2 | 0.4 | 22.3 | 22.3 | 0.4 |
| | Fiserv Inc | 1.8 | 0.2 | 14.3 | 14.3 | 0.2 |
| | Walt Disney Co/The | 1.2 | 0.2 | 16.3 | 16.3 | 0.1 |
| Detractors | Tesla Inc | — | 1.2 | — | 54.4 | -0.5 |
| | Amazon.Com Inc (Eq) | — | 2.4 | — | 17.7 | -0.4 |
| | Broadcom Limited | — | 1.0 | — | 34.7 | -0.3 |
| | Estee Lauder Cos Inc/The | 1.2 | 0.0 | -24.4 | -24.4 | -0.3 |
| | American Tower Corp | 1.7 | 0.1 | -19.8 | -19.8 | -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 MSCI All Country World Index (USD) - fourth quarter 2024 | | Relative contribution (%) |
|---|---|---|
| Tesla Inc | Not owning shares of electric vehicle manufacturer Tesla (United States) held back relative performance. The stock price rose during the quarter after the company reported automotive gross margins aided by full self-driving service and non-automotive gross margins aided by Tesla Energy. The share price also benefited from a strong stock rally late in the quarter after the re-election of President-Elect Donald Trump. | -0.5 |
| Amazon.Com Inc (Eq) | Not owning shares of internet retailer Amazon.com (United States) weakened relative performance. The company delivered a strong quarter with revenues well ahead of forecast driven by faster growth in online stores and subscription services revenues. AWS revenues also came in above expectations for the fifth straight quarter. International profitability was also positive, mainly driven by more mature markets, with the segment benefiting from cost-to-serve efficiencies and a rising contribution from advertising. | -0.4 |
| Broadcom Limited | Not owning shares of broadband communications and networking services company Broadcom (United States) held back relative returns. The stock price rose late in the quarter after the company delivered strong earnings per share results led by stronger-than-expected semiconductor solutions revenues driven by generative AI spending on networking products and custom AI engines. | -0.3 |

# Significant Impacts on Performance - Contributors

| Relative to MSCI All Country World Index (USD) - fourth quarter 2024 | | Relative contribution (%) |
|---|---|---|
| Visa Inc | An overweight 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. | 0.5 |
| Taiwan Semiconductor | The timing of the portfolio's ownership in shares of semiconductor manufacturer Taiwan Semiconductor Manufacturing (Taiwan) helped relative performance. The stock price climbed as the company reported a stellar quarter owing to higher-than-expected gross margins attributable to higher utilization, productivity gains, and cost improvements. The company also increased its revenue and gross margin guidance due to ongoing strength in its N5 and N3 process nodes. | 0.4 |
| Salesforce Inc | An overweight position in customer information software manager Salesforce (United States) contributed to relative performance. The company's share price benefited from subscription revenue growth and stronger-than-anticipated margins. Additionally, durable strength in core Sales & Service Clouds, new business growth in Latin America, Canada, and Australia, and continued stabilization in its transactional businesses further supported the stock. However, commentary around the newest AI-driven tool Agentforce dominated the narrative during the quarter and its potential to lead the digital labor market. | 0.4 |

# Significant Transactions

| From 01-Oct-24 to 31-Dec-24 | | Sector | Transaction type | Trade (%) | Ending weight (%) |
|---|---|---|---|---|---|
| Purchases | MICROSOFT CORP | Information Technology | Add | 1.0 | 6.5 |
| | GRACO INC | Industrials | New position | 0.7 | 0.7 |
| | CMS ENERGY CORP | Utilities | Add | 0.5 | 1.8 |
| | METTLER-TOLEDO INTERNATIONAL INC | Health Care | Add | 0.5 | 1.2 |
| | TRANSUNION | Industrials | Add | 0.4 | 1.5 |
| Sales | ALPHABET INC | Communication Services | Trim | -1.2 | 1.9 |
| | TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD | Information Technology | Trim | -0.8 | 3.4 |
| | APPLE INC | Information Technology | Trim | -0.5 | 2.4 |
| | FISERV INC | Financials | Trim | -0.5 | 1.5 |
| | VEEVA SYSTEMS INC | Health Care | Trim | -0.4 | 0.4 |

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# Sector Weights

| As of 31-Dec-24 | Portfolio (%) | Benchmark^ (%) | Underweight/overweight(%) | Top holdings |
|---|---|---|---|---|
| Information Technology | 29.3 | 26.0 | 3.3 | Microsoft Corp, Taiwan Semiconductor Manufacturing Co Ltd ADR, NVIDIA Corp |
| Industrials | 12.9 | 10.2 | 2.7 | Canadian Pacific Kansas City Ltd, Eaton Corp PLC, Schneider Electric SE |
| Health Care | 11.8 | 9.7 | 2.1 | Agilent Technologies Inc, STERIS PLC, Becton Dickinson & Co |
| Consumer Staples | 7.5 | 5.9 | 1.6 | Church & Dwight Co Inc, Kweichow Moutai Co Ltd, PepsiCo Inc |
| Communication Services | 7.7 | 8.2 | -0.5 | Tencent Holdings Ltd, Alphabet Inc Class A, Walt Disney Co |
| Financials | 16.3 | 16.8 | -0.5 | Visa Inc, HDFC Bank Ltd, Aon PLC |
| Real Estate | 1.5 | 2.0 | -0.5 | American Tower Corp REIT |
| Utilities | 1.8 | 2.5 | -0.7 | CMS Energy Corp |
| Materials | 1.6 | 3.4 | -1.8 | Sherwin-Williams Co |
| Consumer Discretionary | 8.9 | 11.3 | -2.4 | LVMH Moet Hennessy Louis Vuitton SE, NIKE Inc, Ross Stores Inc |
| Energy | - | 3.8 | -3.8 | |

^ MSCI All Country World Index

0.9% Cash & cash equivalents

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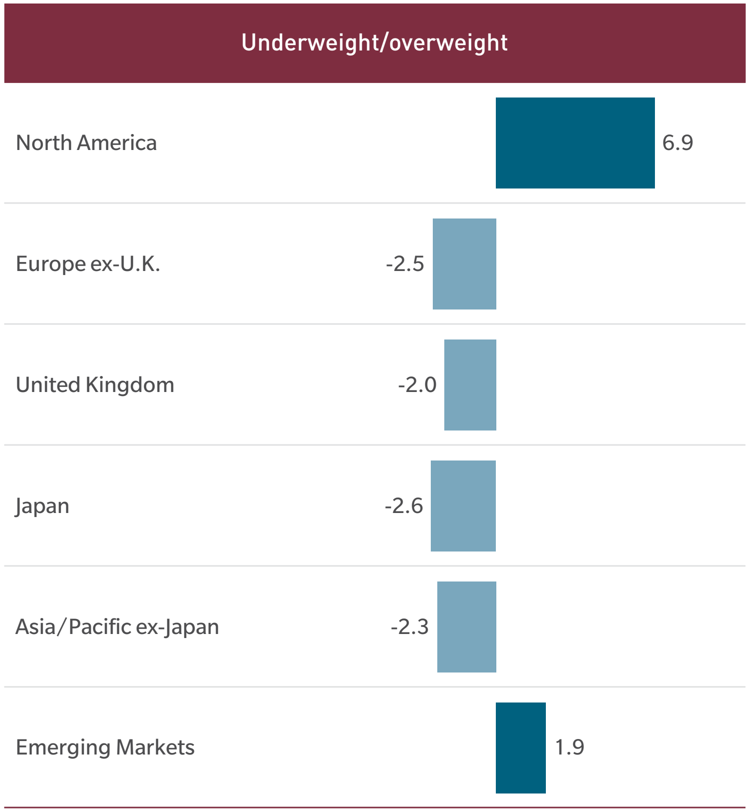
# Region and Country Weights

| As of 31-Dec-24 | Portfolio (%) | Benchmark^ (%) | Underweight/ overweight(%) |
|---|---|---|---|
| **North America** | **76.1** | **69.2** | **6.9** |
| United States | 70.9 | 66.4 | 4.5 |
| Canada | 5.2 | 2.8 | 2.4 |
| **Europe ex-U.K.** | **7.9** | **10.4** | **-2.5** |
| France | 4.5 | 2.3 | 2.2 |
| Netherlands | 1.0 | 0.9 | 0.1 |
| Spain | 0.7 | 0.6 | 0.1 |
| Switzerland | 1.7 | 2.0 | -0.3 |
| Other countries [1] | 0.0 | 4.6 | -4.6 |
| **United Kingdom** | **1.2** | **3.2** | **-2.0** |
| **Japan** | **2.2** | **4.8** | **-2.6** |
| **Asia/Pacific ex-Japan** | **0.0** | **2.3** | **-2.3** |
| Other countries [1] | 0.0 | 2.3 | -2.3 |
| **Emerging Markets** | **11.8** | **9.9** | **1.9** |
| Taiwan | 3.4 | 2.0 | 1.4 |
| Peru | 1.2 | 0.0 | 1.2 |
| China | 3.6 | 2.7 | 0.9 |
| South Korea | 1.3 | 0.9 | 0.4 |
| India | 2.2 | 1.9 | 0.3 |
| Other countries [1] | 0.0 | 2.4 | -2.4 |




^ MSCI All Country World Index

0.9% Cash & cash equivalents

The portfolio does not own securities represented in the benchmark in the following percentages: Developed - Middle East/Africa region 0.2%.

[1] The portfolio does not own any securities in countries represented in the benchmark in the following percentages: Germany 1.9%; Australia 1.5%; Sweden 0.7%; Denmark 0.6%; Italy 0.6% and 30 countries with weights less than 0.5% which totals to 4.1%.

# Characteristics

| As of 31-Dec-24 | Portfolio | Benchmark^ |
|---|---|---|
| **Fundamentals - weighted average** | | |
| Price/earnings (12 months forward) | 23.3x | 18.6x |
| IBES long-term EPS growth [1] | 14.6% | 15.5% |
| **Market capitalization** | | |
| Market capitalization (USD) [2] | 591.5 bn | 750.3 bn |
| **Diversification** | | |
| Number of Issues | 72 | 2,647 |
| **Turnover** | | |
| Trailing 1 year turnover [3] | 23% | — |
| **Risk/reward (10 year)** | | |
| Standard deviation | 14.97% | 14.84% |
| Historical tracking error | 3.46% | — |
| Beta | 0.98 | — |

^ MSCI All Country World 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^ (%) |
|---|---|---|
| MICROSOFT CORP | 6.5 | 3.8 |
| VISA INC | 4.0 | 0.7 |
| TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD | 3.4 | 1.0 |
| NVIDIA CORP | 3.1 | 4.3 |
| ACCENTURE PLC | 2.9 | 0.3 |
| APPLE INC | 2.4 | 4.9 |
| SALESFORCE INC | 2.3 | 0.4 |
| TENCENT HOLDINGS LTD | 2.3 | 0.4 |
| HDFC BANK LTD | 2.2 | 0.2 |
| AGILENT TECHNOLOGIES INC | 2.1 | 0.0 |
| **Total** | **31.2** | **16.1** |

^ MSCI All Country World Index

# Portfolio Outlook and Positioning

Some commentators have described recent times as US exceptionalism, where the US is the only game in town and nothing else seems to matter. The world is an increasingly fragmented and complex place. Yet the market in the fourth quarter benefitted from the Trump rally, fueled by renewed optimism about the US economy.  The MSCI AC World Index rallied to new highs in mid-December only to fall back a bit in the final weeks of the fourth quarter year and closed the year with a 18.0% total return. This result followed 2023's even more eye-catching 22.8% return. These total return results feel impressive against the background of rising geopolitical tensions and macro uncertainties.

In a continuation from 2023, stocks were again driven by a narrow group of mega-cap tech related companies that experienced strong upward price momentum, supported by investor excitement over investments in generative artificial intelligence capability. In the U.S. market, the momentum factor delivered its best year since 1999 as U.S. stocks ballooned to two-thirds of the weighting in the MSCI AC World Index at year-end. US equities outperformed the rest of the world by the widest margin since 1997, with the Magnificent 7 stocks (Apple, Microsoft, Nvidia, Amazon, Tesla, Alphabet, Meta) leading the way. These stocks now represent over 30% of the US S&P 500 Index and accounted for more than half of the US equity market's gains in 2024. The total return of this group of seven stocks averaged 60.4% versus the 5.4% return for the other 3,039 stocks in the index. While not considered part of the Mag 7, Broadcom was also a standout performer with a return of 110% for the year. The Mag 7 stocks plus Broadcom accounted for about 23% of the weighting in the index but explained nearly half of the index's return in 2024.

Market breadth remained narrowly focused, especially in the U.S. where just one-third of US stocks outperformed the S&P 500 index in 2024, the worst annual breadth in at least 20 years. Within the ACWI index, less than 30% of stocks outperformed last year. Some valuation measures in the US look stretched in our view, with the S&P's next 12 month P/E ratio of 21x approaching late-90's levels. Within the ACWI index, expensive stocks continued to massively outperform the rest of the market as the highest P/E quintile of stocks in the growth index delivered a return that many times larger than the lowest P/E quintile.

# Portfolio Outlook and Positioning

PORTFOLIO PERFORMANCE REVIEW

As you might expect, our GARP-y and conservatively managed Global Growth portfolio lagged the index during this exceptionally strong and narrow market environment in 2024. We have consistently been underweight both the Mag-7 stocks mentioned above as well as the AI theme in general. In addition, we are largely absent the most expensive quintile of stocks in the index, since our GARP-y style keeps us away from these highly-valued names. We remain comfortable being underweight to this higher-valued group of stocks, both for style reasons and because growth in general appears expensive today compared to history.

The remainder of our underperformance was from having a few stocks lag for reasons we believe are transitory in nature. Estee Lauder expected improved demand out of Asia after China eased COVID restrictions last year but their travel retail and duty free division, one of its highest-growth segments, did not rebound as expected. We view their current weakness in the US and China as more temporary than structural. In the US, Estee should benefit from more online presence through channels such as “Amazon Beauty,” higher marketing spend, and more innovation. We believe the China de-stocking impacts will eventually pass and any macro improvements may reverse the current trend towards trading down. We also believe the company will benefit from an expected shift toward luxury where Estee has a strong presence. Nike was also a laggard, as the stock has derated over the past several years due to lower growth in their China business and a lack of brand “heat” after pushing leisure brands too hard. The company had also made an aggressive move into the direct-to-consumer sales channel that management has recently remedied. We believe the thesis isn't broken as athleisure is still a secular trend and that Nike maintains significant marketing scale and a strong brand with a deep product catalogue.

While we are never pleased with underperformance of any kind, we aren’t concerned about the portfolio’s near-term results given that the index was driven and dominated by expensive mega-caps that don’t align with our investment style. Looking forward, we feel it is important to highlight that despite a challenging near-term result versus the high-flying index, we are not changing our strategy. At market extremes, we believe the worst action would be to buy the very expensive stocks that we intentionally are either underweight or do not own at all. We are optimistic that our strategy is well positioned for long-term outperformance because we firmly believe that valuation will eventually matter and the portfolio holds steady growth compounders where valuation is now at a larger-than-normal discount to growth benchmarks given the extreme valuation of mega-cap tech. In addition, the past year’s volatility provided many good opportunities to upgrade the quality and growth of the portfolio in a manner that is in keeping with our GARP-y style.

# Portfolio Outlook and Positioning

While the market has been unkind to our style recently, we feel very strongly that our style is exactly the type of portfolio that investors should consider in the current environment. We believe there is considerable risk in benchmarks today, especially valuation and concentration risk, and, as always, our portfolio takes particular care to ensure that we are managing those risks appropriately.

4Q PORTFOLIO ACTIVITY

When looking for new ideas, or add ideas, the team continues to focus on high quality stocks that have recently lagged for non-structural reasons, and therefore present more attractive valuations for us as long-term investors. This focus on stock laggards is aligned with our valuation discipline and, importantly, does not compromise our two other “required to invest” check boxes of attractive quality/durability and growth compounding. Recently, we have continued to find plenty of buy ideas as the high quality, GARPY-type of names we target for our portfolio have generally lagged and become cheaper on a relative basis. However, finding funding for these adds has been challenging because we've been diligent in exiting those names whose investment thesis became impaired and we have relatively few outperformers given the narrowness of the market leadership in mega cap tech.

Our trading activity during the fourth quarter reflected our continued long-term focus on excellent companies with an attractive mix of business quality, growth durability and a reasonable valuation. On the buy side, we started a new position in Graco, which we view as a high-quality long-duration growth compounder in the industrial sector, after the stock’s recent cyclical weakness left the valuation attractive with a long term view. While Graco has always traded at a premium valuation, current premiums are near-trough relative to the market and to other high-quality US industrials.
Graco is a company that specializes in fluid handling systems and equipment such as pumps, hoses, sprayers, washers, reels, and other equipment used for transferring difficult-to-handle fluids like paints, foams, oils, chemicals, lubricants, and sealants. The company is the share leader in most of its niche precision fluid handling markets. Their moat is derived from their low-cost/can't-fail products, a loyal contractor base, a sticky installed factory base, and distribution channel that favors Graco's product depth and product availability.

We continued to build up our new positions in a high-conviction long-duration growth compounders that became more attractively valued with a long-term view including credit bureau Transunion, electric utility CMS Energy, IT services and consulting company

Capgemini, and weight and measurement instrument producer Mettler Toledo. We also added to our position sizes of life science tools company Danaher and software giant Microsoft. On Microsoft, we added to the stock after its valuation that fell back down to our GARP-y range. We believe Microsoft has a unique position as the only company with strong positions in all three layers of the AI software stack, leads in AI inference (currently the only platform that runs full-scale inference workloads), and should “win” no matter how the various levers tied to AI play out. We see accelerating revenue and earnings growth that should support the stock’s valuation. This add also relates to portfolio construction since we are underexposed to both AI and cloud relative to the index and Microsoft is the only Mag7 name we are overweight today.

As is typical of our process, we funded these trades by trimming outperformers whose valuations had expanded including global foundry and chip producer Taiwan Semiconductor, healthcare focused software provider Veeva Systems, and fintech payments company Fiserv. While we continue to believe Taiwan Semiconductor is an AI winner and the stock remains reasonably valued despite strong secular growth from AI, market share gains, and pricing power, its exceptional outperformance with the stock up 92% on the year resulted in a position size that had become too large relative to potential China-Taiwan geopolitical risks. We also continued to trim our position in Alphabet to an underweight relative to the index as we are increasingly wary of the risks of share loss in the company’s core search platform. AI technology has introduced a lot of new ways to accomplish search such as SearchGPT and Perplexity, as well as new entrants coming to market such as Meta’s expected search platform rollout. In addition, we worry that AI agents from within other software platforms might help us search at some point in the future. Ultimately, we think AI-based “search” will simply be better than traditional search’s link-based results by providing direct answers to user inputs. We recognize that Alphabet still has some significant competitive advantages, including strong customer trust in Google search, inertia of search behavior, ownership of a strong AI asset in Gemini, and has many other attractive advertising-based assets including YouTube. As a result, we’ve shifted to an underweight position in the stock while we assess Alphabet’s risks from AI disruption. We also took a trim to Apple to further widen our underweight position in order to fund the add to Microsoft highlighted above.

In summary, our commitment to our investment process and philosophy remains unchanged. We maintain our long-term investment horizon and focus on owning durable growth compounders where we have high confidence in the sustainability of profits over the long term. We will continue to apply our buy and sell criteria consistently, and our analysis of company fundamentals (and relative valuations) will continue to determine how the portfolio is ultimately positioned. Our objective is to add value for our clients through a series of individual, bottom-up investment decisions, rather than through what we believe are difficult-to-predict macroeconomic events. Additionally, we remain fully invested in the equity markets, since we believe it is challenging to predict equity market returns over the short term.

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

# Portfolio Holdings

| As of 31-Dec-24 | Country | Equivalent exposure (%) |
|---|---|---|
| **Cash & Cash Equivalents** | | **0.9** |
| Cash & Cash Equivalents | | 0.9 |
| **Communication Services** | | **7.7** |
| Tencent Holdings Ltd | China | 2.3 |
| Alphabet Inc Class A | United States | 1.9 |
| Walt Disney Co | United States | 1.3 |
| NAVER Corp | South Korea | 1.0 |
| Cellnex Telecom SA | Spain | 0.7 |
| Electronic Arts Inc | United States | 0.6 |
| **Consumer Discretionary** | | **8.9** |
| LVMH Moet Hennessy Louis Vuitton SE | France | 1.7 |
| NIKE Inc | United States | 1.5 |
| Ross Stores Inc | United States | 1.1 |
| Aptiv PLC | United States | 0.9 |
| Hilton Worldwide Holdings Inc | United States | 0.9 |
| TJX Cos Inc | United States | 0.9 |
| B&M European Value Retail SA | United Kingdom | 0.7 |
| Dollarama Inc | Canada | 0.6 |
| Starbucks Corp | United States | 0.5 |
| **Consumer Staples** | | **7.5** |
| Church & Dwight Co Inc | United States | 2.1 |
| Kweichow Moutai Co Ltd | China | 1.3 |
| PepsiCo Inc | United States | 1.2 |
| McCormick & Co Inc/MD | United States | 1.1 |
| Estee Lauder Cos Inc | United States | 1.1 |
| Nestle SA | Switzerland | 0.7 |
| **Financials** | | **16.3** |
| Visa Inc | United States | 4.0 |
| HDFC Bank Ltd | India | 2.2 |
| Aon PLC | United States | 2.0 |
| Fiserv Inc | United States | 1.5 |
| Moody's Corp | United States | 1.3 |
| Credicorp Ltd | Peru | 1.2 |

| As of 31-Dec-24 | Country | Equivalent exposure (%) |
|---|---|---|
| **Financials** | | **16.3** |
| Brookfield Asset Management Ltd | Canada | 1.0 |
| Charles Schwab Corp | United States | 0.9 |
| Marsh & McLennan Cos Inc | United States | 0.9 |
| Mastercard Inc | United States | 0.9 |
| Julius Baer Group Ltd | Switzerland | 0.5 |
| **Health Care** | | **11.8** |
| Agilent Technologies Inc | United States | 2.1 |
| STERIS PLC | United States | 1.7 |
| Becton Dickinson & Co | United States | 1.5 |
| Danaher Corp | United States | 1.4 |
| Boston Scientific Corp | United States | 1.3 |
| Mettler-Toledo International Inc | United States | 1.2 |
| ICON PLC | United States | 0.9 |
| Stryker Corp | United States | 0.7 |
| Thermo Fisher Scientific Inc | United States | 0.6 |
| Veeva Systems Inc | United States | 0.4 |
| **Industrials** | | **12.9** |
| Canadian Pacific Kansas City Ltd | Canada | 2.0 |
| Eaton Corp PLC | United States | 1.8 |
| Schneider Electric SE | France | 1.6 |
| TransUnion | United States | 1.5 |
| Daikin Industries Ltd | Japan | 1.3 |
| Hubbell Inc | United States | 1.3 |
| Wolters Kluwer NV | Netherlands | 1.0 |
| Otis Worldwide Corp | United States | 1.0 |
| Graco Inc | United States | 0.7 |
| Experian PLC | United Kingdom | 0.5 |
| Thomson Reuters Corp | Canada | 0.2 |
| **Information Technology** | | **29.3** |
| Microsoft Corp | United States | 6.5 |
| Taiwan Semiconductor Manufacturing Co Ltd ADR | Taiwan | 3.4 |
| NVIDIA Corp | United States | 3.1 |

# Portfolio Holdings

| As of 31-Dec-24 | Country | Equivalent exposure (%) |
|---|---|---|
| **Information Technology** | | **29.3** |
| Accenture PLC | United States | 2.9 |
| Apple Inc | United States | 2.4 |
| Salesforce Inc | United States | 2.3 |
| Amphenol Corp | United States | 1.5 |
| CGI Inc | Canada | 1.5 |
| Capgemini SE | France | 1.2 |
| Gartner Inc | United States | 1.1 |
| TE Connectivity PLC | United States | 0.9 |
| Obic Co Ltd | Japan | 0.9 |
| Analog Devices Inc | United States | 0.8 |
| Texas Instruments Inc | United States | 0.5 |
| Samsung Electronics Co Ltd | South Korea | 0.3 |
| **Materials** | | **1.6** |
| Sherwin-Williams Co | United States | 1.0 |
| Sika AG | Switzerland | 0.6 |
| **Real Estate** | | **1.5** |
| American Tower Corp REIT | United States | 1.5 |
| **Utilities** | | **1.8** |
| CMS Energy Corp | United States | 1.8 |

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