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# MFS® Blended Research® Value Equity Fund

(Class R6 Shares)

Second 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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PRPEQ-BRU-30-Jun-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-BRU-30-Jun-24

## Fund Risks



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.

**Value:** The portfolio's investments can continue to be undervalued for long periods of time, not realize their expected value, and be more volatile than the stock market in general.

**Strategy:** There is no assurance that the portfolio's predicted tracking error will equal its target predicted tracking error at any point in time or consistently for any period of time, or that the portfolio's predicted tracking error and actual tracking error will be similar. The portfolio's strategy to target a predicted tracking error of approximately 2% compared to the Index and to blend fundamental and quantitative research may not produce the intended results. In addition, MFS fundamental research is not available for all issuers.

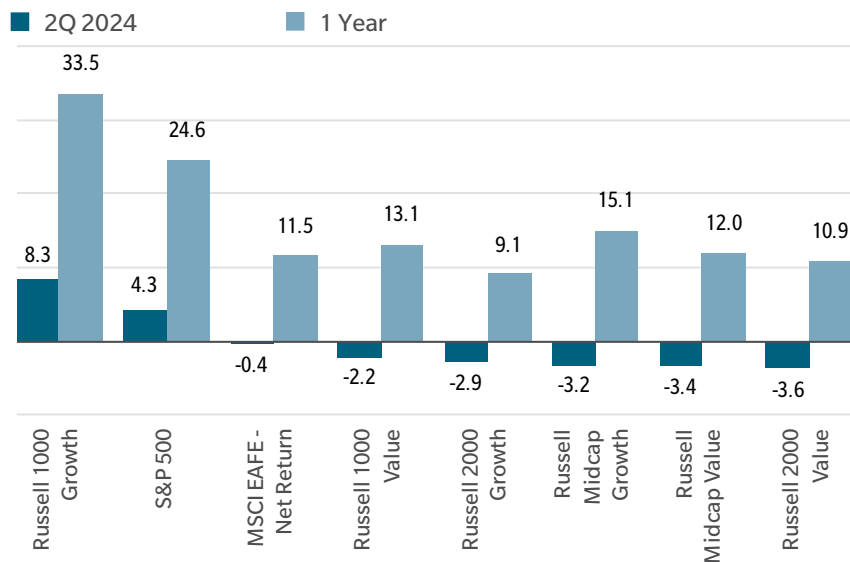
**Quantitative Strategy:** MFS' investment analysis, development and use of quantitative models, and selection of investments may not produce the intended results and/or can lead to an investment focus that results in underperforming portfolios with similar investment strategies and/or the markets in which the portfolio invests. The proprietary and third party quantitative models used by MFS may not produce the intended results for a variety of reasons, including the factors used, the weight placed on each factor, changing sources of market return, changes from the market factors' historical trends, and technical issues in the development, application, and maintenance of the models (e.g., incomplete or inaccurate data, programming/software issues, coding errors and technology failures).

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

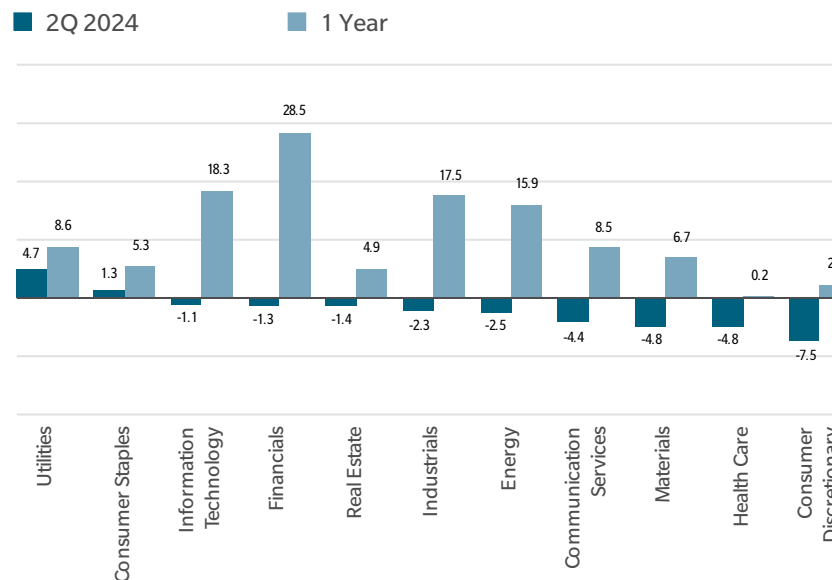
# Market Overview



Style performance (%) (USD) as of 30-Jun-24



Sector performance (%) (USD) as of 30-Jun-24



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 1000® Value Index constituents are broken out by MSCI defined sectors.

## US equities market review as of 30 June 2024

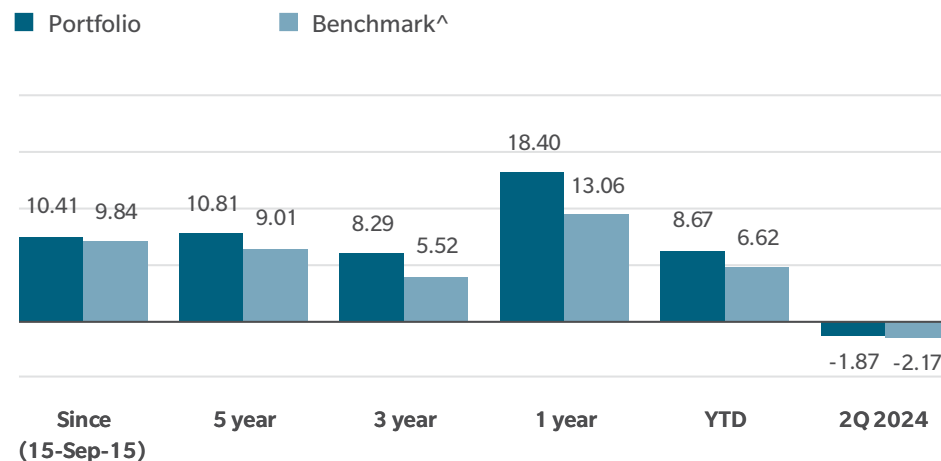
- The US market, as measured by the S&P 500 Index, finished higher in Q2 2024. This was a continuation from Q1, driven by the possibility that interest rates would be cut later in the year given falling inflation.
- Economic growth in the United States expanded during Q1 2024, with GDP increasing 1.4%. While this gain was smaller than the previous quarter, it was consistent with an economy that is slowing down due to the impact of higher interest rates and lower inflation. While inflation has trended down toward the US Federal

- Reserve’s 2% goal, the Fed has continued to take a patient approach to an interest rate cut (or cuts) in 2024.
- For the quarter, growth outperformed value in the large-, mid- and small-cap spaces, although the gap of outperformance was most notable in the large-cap space. Technology, communication services and utilities were the best-performing sectors, and materials, industrials and energy were the worst.

# Executive Summary



Performance results (%) R6 shares at NAV (USD) as of 30-Jun-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.

^ Russell 1000® Value Index

Position weights (%) as of 30-Jun-24	Portfolio	Benchmark^^
<b>Top overweights</b>		
VERTEX PHARMACEUTICALS INC	1.6	0.0
LAM RESEARCH CORP	1.4	0.0
AMPHENOL CORP	1.6	0.2
<b>Top underweights</b>		
BERKSHIRE HATHAWAY INC (EQ)	2.0	3.5
WALMART INC	-	1.4
PROCTER & GAMBLE CO/THE	0.2	1.5

^^ Russell 1000® Value Index

# Performance Results



Performance results (%) R6 shares at NAV (USD) as of 30-Jun-24

Period	Portfolio	Benchmark <sup>^</sup>	Excess return vs benchmark
2Q 2024	-1.87	-2.17	0.30
1Q 2024	10.74	8.99	1.75
4Q 2023	11.37	9.50	1.87
3Q 2023	-2.17	-3.16	0.99
2024 YTD	8.67	6.62	2.05
2023	14.65	11.46	3.19
2022	-4.10	-7.54	3.44
2021	26.43	25.16	1.27
2020	1.75	2.80	-1.05
2019	23.38	26.54	-3.17
Life (15-Sep-15)	10.41	9.84	0.57
5 year	10.81	9.01	1.80
3 year	8.29	5.52	2.76
1 year	18.40	13.06	5.34

**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.**

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Source for benchmark performance SPAR, FactSet Research Systems Inc.

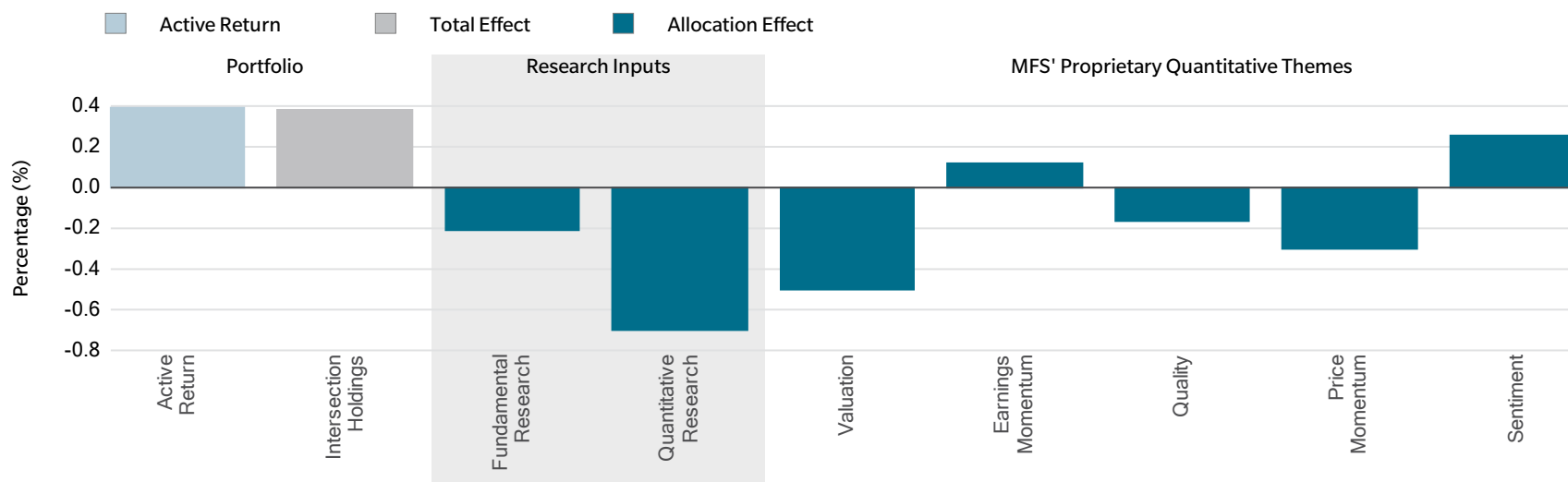
For periods of less than one-year returns are not annualized.

<sup>^</sup> Russell 1000<sup>®</sup> Value Index

# Investment Process Performance Drivers



Relative to Russell 1000® Value Index  
(USD) - second quarter 2024



Please note that the figures provided above do not total to the active return.

Active return represents the difference between the portfolio return and the benchmark return over the time period examined. Active return not explained by the total effect of the intersection holdings will be captured by the total effect of non-intersection stocks, and is not shown in this summary. Intersection holdings represent stocks that are considered attractive from both fundamental and quantitative research sources.

Active return not captured by the allocation effects associated with each respective factor within Research Inputs and Quantitative Themes will be captured by selection and interaction effects, which are not included in this summary.

Results are calculated based on a Brinson-Fachler based performance attribution analysis, grouped by a single factor, generated utilizing Factset's Portfolio Analysis platform. Attributions attempt to decompose a portfolio's performance relative to a benchmark by grouping securities into discrete buckets and attributing returns across these groupings along three dimensions: the allocation effect, the selection effect, and the interaction effect. The groupings are based on beginning of period ratings and scores, rebalanced monthly. The groupings do not reflect intra-month ratings and score changes and may not align with the actual trade rebalance dates of the portfolio. Results are based upon daily holdings to generate individual security returns and do not include expenses, intra-day trading, or intra-day pricing impacts. As a result, portfolio and benchmark returns generated through attribution analysis will likely differ from actual returns.

Total effect represents the combination of allocation, selection and interaction effects associated with Intersection Holdings. MFS defines intersection holdings as stocks with a Fundamental buy rating that are scored within the most attractive tercile of MFS' overall Quantitative Model score. MFS Fundamental analysts rate stocks with a buy, hold or sell rating. Not all stocks are fundamentally rated and stocks without a fundamental rating are treated the same as hold rated stocks. MFS' proprietary quantitative stock selection model ranks stocks on a scale of 1-100.

Allocation Effect represents the contribution to relative performance associated with an overweight or underweight to a particular grouping of stocks from a single Brinson Fachler attribution (i.e., the contribution associated with investments in top quintile stocks based on valuation). It is calculated daily as the difference between the stock portfolio weight of a grouping and benchmark weight for that same grouping, multiplied by the difference between the benchmark's stock grouping return and overall benchmark return. The daily allocation effects are geometrically linked over the reporting period.

# Performance Drivers - Fundamental Research

Relative to Russell 1000<sup>®</sup> Value Index  
(USD) - second quarter 2024



Fundamental Research	Portfolio	Benchmark	Variation	Attribution Analysis		
	Total Return	Total Return	Average Weight Diff	Allocation Effect	Selection Effect <sup>1</sup>	Total Effect
Fundamental Buy	-1.7	-2.5	42.3	-0.1	0.7	0.5
Fundamental Hold/unrated	-2.5	-1.9	-39.7	-0.1	-0.0	-0.2
Fundamental Sell	-3.3	-2.6	-3.7	0.0	-0.0	0.0
Cash	1.3	-	1.2	0.0	-	0.0
<b>Total</b>	<b>-1.8</b>	<b>-2.2</b>	<b>-</b>	<b>-0.2</b>	<b>0.6</b>	<b>0.4</b>

<sup>1</sup> Stock selection includes 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. Stocks without a rating are treated the same as hold rated stocks for the purpose of creating a blended research score. Stocks without a fundamental rating accounted for 1.5% of the portfolio and 12.3% of the index.

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. This 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).



# Performance Drivers - Quantitative Research

Relative to Russell 1000® Value Index  
(USD) - second quarter 2024



Quantitative Research	Portfolio	Benchmark	Variation	Attribution Analysis		
	Total Return	Total Return	Average Weight Diff	Allocation Effect	Selection Effect <sup>1</sup>	Total Effect
Quant Q1 - Best	-1.3	-3.6	21.8	-0.3	0.8	0.5
Quant Q2	-2.6	-3.3	3.5	-0.0	0.2	0.1
Quant Q3	-0.4	-1.8	-7.3	-0.0	0.4	0.3
Quant Q4	-5.8	-1.1	-9.7	-0.1	-0.5	-0.6
Quant Q5 - Worst	-3.8	-1.0	-10.5	-0.2	0.0	-0.1
Cash	1.3	-	1.2	0.0	-	0.0
Unassigned	9.0	-7.1	0.9	-0.1	0.2	0.1
<b>Total</b>	<b>-1.8</b>	<b>-2.2</b>	<b>-</b>	<b>-0.7</b>	<b>1.1</b>	<b>0.4</b>

<sup>1</sup> Stock selection includes 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. This 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).

# Performance Drivers - Valuation

Relative to Russell 1000® Value Index  
(USD) - second quarter 2024



Valuation	Portfolio	Benchmark	Variation	Attribution Analysis		
	Total Return	Total Return	Average Weight Diff	Allocation Effect	Selection Effect <sup>1</sup>	Total Effect
Valuation Q1 - Best	-3.4	-5.5	10.9	-0.4	0.6	0.2
Valuation Q2	-4.4	-2.2	0.5	0.0	-0.4	-0.4
Valuation Q3	0.6	-1.4	-4.5	0.0	0.3	0.3
Valuation Q4	-0.1	-1.7	-0.1	-0.0	0.5	0.5
Valuation Q5 - Worst	-6.0	-1.3	-8.9	-0.1	-0.3	-0.4
Cash	1.3	-	1.2	0.0	-	0.0
Unassigned	9.0	-7.1	0.9	-0.1	0.2	0.1
<b>Total</b>	<b>-1.8</b>	<b>-2.2</b>	<b>-</b>	<b>-0.5</b>	<b>0.9</b>	<b>0.4</b>

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# Performance Drivers - Earnings Momentum

Relative to Russell 1000® Value Index  
(USD) - second quarter 2024



Earnings Momentum	Portfolio	Benchmark	Variation	Attribution Analysis		
	Total Return	Total Return	Average Weight Diff	Allocation Effect	Selection Effect <sup>1</sup>	Total Effect
Earnings Momentum Q1 - Best	-3.5	-1.7	2.2	0.0	-0.4	-0.3
Earnings Momentum Q2	-0.1	-2.2	0.5	0.0	0.5	0.5
Earnings Momentum Q3	-1.9	-0.6	0.2	0.0	-0.2	-0.2
Earnings Momentum Q4	-3.4	-3.9	-0.9	0.1	0.1	0.2
Earnings Momentum Q5 - Worst	-1.3	-2.3	-4.2	0.0	0.1	0.1
Cash	1.3	-	1.2	0.0	-	0.0
Unassigned	9.0	-7.1	0.9	-0.1	0.2	0.1
<b>Total</b>	<b>-1.8</b>	<b>-2.2</b>	<b>-</b>	<b>0.1</b>	<b>0.3</b>	<b>0.4</b>

<sup>1</sup> Stock selection includes 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. This 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).

## Performance Drivers - Quality

Relative to Russell 1000® Value Index  
(USD) - second quarter 2024



Quality	Portfolio	Benchmark	Variation	Attribution Analysis		
	Total Return	Total Return	Average Weight Diff	Allocation Effect	Selection Effect <sup>1</sup>	Total Effect
Quality Q1 - Best	-1.0	-4.1	12.2	-0.3	0.6	0.4
Quality Q2	-3.6	-2.4	1.1	-0.0	-0.3	-0.3
Quality Q3	0.7	-0.8	0.7	0.0	0.4	0.5
Quality Q4	-4.2	-2.0	-9.9	0.0	-0.3	-0.3
Quality Q5 - Worst	-5.0	-3.8	-6.2	0.1	-0.1	0.0
Cash	1.3	-	1.2	0.0	-	0.0
Unassigned	9.0	-7.1	0.9	-0.1	0.2	0.1
<b>Total</b>	<b>-1.8</b>	<b>-2.2</b>	<b>-</b>	<b>-0.2</b>	<b>0.6</b>	<b>0.4</b>

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## Performance Drivers - Price Momentum

Relative to Russell 1000® Value Index  
(USD) - second quarter 2024



Price Momentum	Portfolio	Benchmark	Variation	Attribution Analysis		
	Total Return	Total Return	Average Weight Diff	Allocation Effect	Selection Effect <sup>1</sup>	Total Effect
Price Momentum Q1 - Best	-1.1	-3.3	6.2	-0.1	0.4	0.3
Price Momentum Q2	0.4	-3.4	7.4	-0.1	1.1	1.0
Price Momentum Q3	-3.8	-2.5	-0.3	-0.0	-0.4	-0.4
Price Momentum Q4	-1.5	-2.7	-10.6	0.1	0.1	0.2
Price Momentum Q5 - Worst	-6.2	1.7	-4.9	-0.1	-0.8	-0.9
Cash	1.3	-	1.2	0.0	-	0.0
Unassigned	9.0	-7.1	0.9	-0.1	0.2	0.1
<b>Total</b>	<b>-1.8</b>	<b>-2.2</b>	<b>-</b>	<b>-0.3</b>	<b>0.7</b>	<b>0.4</b>

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# Performance Drivers - Sentiment

Relative to Russell 1000® Value Index  
(USD) - second quarter 2024



Sentiment	Portfolio	Benchmark	Variation	Attribution Analysis		
	Total Return	Total Return	Average Weight Diff	Allocation Effect	Selection Effect <sup>1</sup>	Total Effect
Sentiment Q1 - Best	-1.5	-0.9	9.5	0.1	-0.1	-0.0
Sentiment Q2	-2.9	-2.6	1.6	0.0	-0.1	-0.1
Sentiment Q3	1.1	-1.1	-3.3	-0.1	0.4	0.4
Sentiment Q4	-4.7	-3.3	-5.7	0.1	-0.1	-0.0
Sentiment Q5 - Worst	-6.0	-5.1	-4.2	0.2	-0.1	0.1
Cash	1.3	-	1.2	0.0	-	0.0
Unassigned	9.0	-7.1	0.9	-0.1	0.2	0.1
<b>Total</b>	<b>-1.8</b>	<b>-2.2</b>	<b>-</b>	<b>0.3</b>	<b>0.1</b>	<b>0.4</b>

<sup>1</sup> Stock selection includes 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. This 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).

## Performance Drivers - Sectors



Relative to Russell 1000® Value Index (USD) - second quarter 2024		Average relative weighting (%)	Portfolio returns (%)	Benchmark returns (%)	Sector allocation <sup>1</sup> (%)	Stock selection <sup>2</sup> (%)	Relative contribution (%)
<b>Contributors</b>	Health Care	0.4	-0.3	-4.8	-0.0	0.7	0.6
	Financials	-0.1	1.1	-1.3	-0.0	0.5	0.5
	Information Technology	-0.7	3.9	-1.1	-0.0	0.4	0.4
	Communication Services	0.7	1.3	-4.4	-0.0	0.3	0.3
	Utilities	0.4	6.9	4.7	0.0	0.1	0.1
	Cash	1.2	1.3	—	0.0	—	0.0
	Consumer Discretionary	-0.5	-7.2	-7.5	0.0	-0.0	0.0
<b>Detractors</b>	Industrials	-1.1	-7.9	-2.3	0.0	-0.8	-0.8
	Energy	0.4	-6.8	-2.5	0.0	-0.4	-0.4
	Consumer Staples	-0.4	-2.8	1.3	-0.0	-0.3	-0.3
	Real Estate	0.5	-4.2	-1.4	-0.0	-0.1	-0.1
	Materials	-0.8	-5.7	-4.8	0.0	-0.0	-0.0
<b>Total</b>			-1.8	-2.2	0.1	0.3	0.4

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. This 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).

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# Performance Drivers - Stocks



Relative to Russell 1000® Value Index (USD) - second quarter 2024		Average Weighting (%)		Returns (%)		Relative contribution(%)
		Portfolio	Benchmark	Portfolio <sup>1</sup>	Benchmark	
<b>Contributors</b>	Applied Materials Inc	1.7	0.1	14.6	14.6	0.3
	Alphabet Inc	1.2	—	20.8	—	0.2
	Amphenol Corp	1.5	0.2	17.0	17.0	0.2
	Vertex Pharmaceuticals Inc	1.4	0.0	12.1	12.1	0.2
	Lam Research Corp	1.5	0.0	9.8	9.8	0.2
<b>Detractors</b>	Builders Firstsource Inc (Eq)	1.0	0.1	-33.6	-33.6	-0.4
	Target Corp	1.3	—	-15.9	—	-0.2
	Wal-Mart Stores Inc	—	1.3	—	12.9	-0.2
	Agco Corp	1.1	0.0	-18.4	-18.4	-0.2
	Salesforce Inc	1.6	0.3	-14.6	-14.6	-0.2

<sup>1</sup> Represents performance for the time period stock was held in portfolio.

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## Significant Transactions



From 01-Apr-24 to 30-Jun-24		Transaction type	Trade (%)	Ending weight (%)
<b>Purchases</b>	UNITED PARCEL SERVICE INC (EQ)	New position	0.8	0.7
	PVH CORP	Add	0.7	0.9
	RPM INTERNATIONAL INC	Add	0.6	1.2
	CITIGROUP INC (EQ)	Add	0.6	1.6
	TECHNIPFMC PLC	New position	0.6	0.6
<b>Sales</b>	EQUITABLE HOLDINGS INC	Eliminate position	-1.0	-
	PROLOGIS INC	Trim	-0.9	0.2
	MARATHON PETROLEUM CORP (EQ)	Eliminate position	-0.8	-
	CHEMOURS CO/THE (EQ)	Trim	-0.6	0.2
	VISTRA CORP	Eliminate position	-0.6	-

# Sector Weights



As of 30-Jun-24	Portfolio (%)	Benchmark^ (%)	Underweight/overweight (%)
Health Care	14.8	13.9	0.9
Communication Services	5.1	4.5	0.6
Real Estate	5.1	4.6	0.5
Utilities	5.1	5.0	0.1
Energy	8.0	8.0	0.0
Consumer Discretionary	4.6	4.7	-0.1
Consumer Staples	7.5	7.9	-0.4
Materials	4.2	4.7	-0.5
Information Technology	8.9	9.5	-0.6
Financials	21.8	22.9	-1.1
Industrials	13.1	14.3	-1.2

^ Russell 1000® Value Index

1.8% Cash & cash equivalents

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# Top Overweight and Underweight Positions



As of 30-Jun-24		Portfolio (%)	Benchmark^ (%)
<b>Overweight</b>	VERTEX PHARMACEUTICALS INC	1.6	0.0
	LAM RESEARCH CORP	1.4	0.0
	AMPHENOL CORP	1.6	0.2
	WELLS FARGO & CO	2.4	1.0
	TARGET CORP	1.4	-
<b>Underweight</b>	BERKSHIRE HATHAWAY INC (EQ)	2.0	3.5
	WALMART INC	-	1.4
	PROCTER & GAMBLE CO/THE	0.2	1.5
	EXXON MOBIL CORP	1.2	2.5
	MERCK & CO INC	-	1.2

^ Russell 1000® Value Index

# Characteristics



As of 30-Jun-24	Portfolio	Benchmark <sup>^</sup>
<b>Fundamentals - weighted average</b>		
Price/earnings (12 months forward)	14.9x	16.0x
Price/cash flow	12.8x	12.8x
Price/sales	1.5x	1.7x
PEG ratio	1.5x	1.8x
Return on equity (3-year average)	25.1%	18.7%
Return on invested capital	13.4%	10.3%
IBES long-term EPS growth <sup>1</sup>	9.6%	10.6%
<b>Market capitalization</b>		
Market capitalization (USD) <sup>2</sup>	183.9 bn	159.8 bn
<b>Diversification</b>		
Top ten issues	21%	18%
Number of Issues	111	846
<b>Turnover</b>		
Trailing 1 year turnover <sup>3</sup>	56%	—
<b>Risk profile (current)</b>		
Active share	70%	—
<b>Risk/reward (5 year)</b>		
Beta	1.01	—

<sup>^</sup> Russell 1000<sup>®</sup> Value 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 30-Jun-24	Portfolio (%)	Benchmark^ (%)
JPMORGAN CHASE & CO	3.6	2.7
JOHNSON & JOHNSON	2.7	1.7
WELLS FARGO & CO	2.4	1.0
PFIZER INC	2.0	0.7
BERKSHIRE HATHAWAY INC (EQ)	2.0	3.5
CIGNA GROUP/THE	1.7	0.4
EATON CORP PLC	1.6	0.6
AMERICAN EXPRESS CO	1.6	0.4
CITIGROUP INC (EQ)	1.6	0.6
CHUBB LTD	1.6	0.5
<b>Total</b>	<b>20.8</b>	<b>12.1</b>

^ Russell 1000® Value Index

# Portfolio Outlook and Positioning



For the second quarter of June 2024, the portfolio outperformed the Russell 1000® Value Index.

## Contributors

- Intersection holdings
- Quantitative models: sentiment and earnings momentum
- Stock selection within health care and financials

## Detractors

- Quantitative models: valuation and price momentum
- Stock selection within industrials and energy

## Market review

The rally in global equities continued in Q2 with the ACWI and all the major US large-cap core and growth indices closing out June at, or near, all-time highs. The rally was fueled by generally better-than-expected Q1 earnings reports coupled with continued improvements in economic indicators and a broadening of central bank rate cuts. Market breadth remained narrow, with the fewest number of stocks beating the S&P 500 since June 2023 and Q1 2000. Year to date, based on analysis from Ned Davis Research, only about 25% of stocks have outperformed the S&P 500, the lowest percentage since at least 1973.

Inflation reports in April were hotter than expected in the United States (US), which shifted 2024 Federal Reserve rate cut expectation from three starting in June to one starting in September. Subsequent inflation readings in May and June moderated alongside weaker employment data and a pick-up in negative economic data surprises. Elsewhere, despite sticky services inflation in most developed economies, the European Central Bank, Bank of Canada and Sweden's Riksbank commenced with policy rate cuts in the quarter. The Swiss National Bank, which was the first developed central bank to cut rates, eased again in June, while multiple emerging economy central banks in Latin America and Eastern Europe continued their rate cut campaigns, albeit at a slower pace.

The outlook for the global economy, considered through the lens of leading indicators such as PMIs, steadily improved during Q2 with the global composite PMI rising for a seventh straight month in May. Having said that, the June global manufacturing PMI, which is signaling expansion,

# Portfolio Outlook and Positioning



was slightly weaker with only 38% of economies reporting a monthly increase and the share of economies with a reading above 50 declining slightly to 59%. In the US, there was a divergence in readings between the S&P Manufacturing PMI and the ISM version with the average of the two indexes at 50.1 indicating a modest deterioration over the quarter. The Citigroup Economic Surprises Index for developed economies, which had been trending down throughout the quarter and turned negative in late May, foreshadowed the moderation in manufacturing activity. Service sector activity remained strong in most countries however there was a notable deterioration of activity in the Pacific region in Q2 and the US where the ISM Services index plunged below 50 in June.

Q1 earnings reports illustrated the continued dominance of the Magnificent 7, which for the fifth quarter in a row accounted for more than 100% of the earnings growth for the S&P 500. The share of companies reporting positive earnings surprises were above the historical average on a global basis, with the US reporting the strongest beat rates. On a sector basis in the US, all sectors except financials and energy had improving positive earnings surprises relative to Q4. Earnings revisions (outlook), which have historically been correlated with manufacturing PMIs, improved again in Q2, but the pace has moderated. On a sector basis, the revisions ratio is the strongest in technology, communication services, utilities, health care and energy and the weakest in staples, materials and financials.

Shifting to the market impact the S&P finished Q2 near its all-time however there was an extreme bifurcation in performance, with most stocks in the benchmark declining. For the second consecutive quarter, growth stocks outperformed value stocks in every Russell & S&P cap tier and larger-cap stocks outperformed smaller-caps stocks across all styles. The Magnificent 7 continued to dominate, accounting for more than 100% of the S&P performance.

Sector leadership was very narrow in Q2 and dominated by the AI theme. The information technology and communication services sectors outperformed by wide margins, with the former benefitting from significant outperformance by the hardware, semiconductor & semiconductor equipment segments while the latter was aided by strong performance from the media and entertainment industries. Cyclical sectors were the biggest laggards in the second quarter including both the materials and energy sectors, with the later negatively impacted by weaker energy prices. Significant weakness in transportation stocks weighed on the industrials sector while the discretionary sector was held back by broad-based underperformance in the consumer durables, consumer services and retail segments. The more defensive staples and healthcare sectors also lagged as did the financials sector which generally tracked the volatility in bond yields during quarter and was negatively impacted by significant weakness in the insurance and diversified financial service segments.

# Portfolio Outlook and Positioning



Factor (equal weighted/sector neutral) breadth was again strong in Q2 and generally consistent throughout the period. Larger-cap stocks with strong profitability attributes outperformed significantly during the quarter. Higher-growth stocks with strong momentum also outperformed, as did those with higher dividend yields or making investments in capex and R&D. Stocks with attractive valuations or high volatility underperformed by a substantial margin as did those buying back shares. Stocks with positive earnings surprises also underperformed, potentially due to significant lowering of expectations in recent months. Stocks with strong earnings revisions generally underperformed while those with improving sales revisions outperformed.

The performance of MSCI Style indices, which have sector biases, generally reflected the narrow AI-led results in Q2. The growth, quality and momentum indices outperformed by a wide margin while the value and equal weighted indexes underperformed significantly. Deviating from the factor performance above as the notable weakness in both the high-dividend yield and the low- volatility indexes.

## **Portfolio performance review**

The portfolio outperformed the Russell 1000® Value Index in the second quarter. Intersection holdings, which are stocks buy rated based on both our fundamental and quantitative research, added to relative returns. Sentiment and earnings momentum factor models contributed positively to results for the quarter. The overall quantitative input underperformed during the quarter, with valuation and price momentum factors hurting relative performance.

At the sector level, the portfolio experienced positive contribution from stock selection within health care and financials. Stock selection within industrials and energy sectors detracted from performance.

## **Outlook**

The consensus is now firmly in the soft-landing or no-landing camp, with expectations for rate cuts and a cyclical upturn supporting continued leadership from cyclical and growth sectors as well as improving market breadth. The continued, albeit moderating, strengthening in leading economic indicators is supportive of the improving and broadening earnings outlook, as global equity markets historically tended to move in concert with the global earnings revision ratio. The shift in central bank policy has removed a headwind to markets, supported by analysis from Ned Davis Research that shows the current combination of central banks pausing/cutting rates has historically coincided with low-single-digit returns for the ACWI, and performance improving to 9% + once the share of central banks cutting rates exceeds 50%.



## Portfolio Outlook and Positioning



That said, there remain several inconsistencies and risks to monitor that could upend the consensus view. First, the inverted yield curve, which has correctly predicted the last nine US recessions in the post-World War II era. Further, while leading economic indicators have troughed and in many cases are signaling expansion, it's not uncommon for PMIs to give false signals before recessions, with five such instances in the US over the past 50+ years. Also, the pace and magnitude of central bank rate cuts is still uncertain given the stubborn service inflation and the downside from goods disinflation potentially abating as/if the economic expansion progresses. Other risks/issues we're monitoring that have and could impact markets and leadership include the worsening market concentration, excessive fiscal spending, elections, trade tensions, supply chain challenges, as well as the impacts of the ongoing wars in the Middle East and Europe.

For your Blended Research strategy, we continue to be encouraged by the broad factor leadership despite the elevated market concentration. As we have communicated in the past, the most challenging market environment for our approach is one in which a single factor/style or a limited group of stocks dominates performance as was evident in 2020. With the OECD Global Composite Leading Indicator (CLI), and most country CLIs, firmly signaling expansion, our analysis of factor performance through the economic cycle aligns with the outperformance of higher-beta stocks with strong earnings and price momentum. While the magnitude is smaller, stocks with attractive valuations have also historically continued to outperform as the economy shifts to the expansion phase of the cycle. Late-cycle factors such as profitability and growth as well as the quality-focused fundamental research input to our process tend to be weaker in the front half of the business cycle.

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 30-Jun-24	Equivalent exposure (%)
<b>Cash &amp; Cash Equivalents</b>	<b>1.8</b>
Cash & Cash Equivalents	1.8
<b>Communication Services</b>	<b>5.1</b>
T-Mobile US Inc	1.4
Alphabet Inc Class A	1.3
Walt Disney Co	0.8
Comcast Corp	0.8
Meta Platforms Inc	0.8
<b>Consumer Discretionary</b>	<b>4.6</b>
O'Reilly Automotive Inc	1.2
PVH Corp	0.9
Booking Holdings Inc	0.8
NIKE Inc	0.6
Newell Brands Inc	0.5
Lear Corp	0.3
Skechers U.S.A. Inc	0.3
<b>Consumer Staples</b>	<b>7.5</b>
Colgate-Palmolive Co	1.4
Mondelez International Inc	1.4
Target Corp	1.4
Altria Group Inc	0.9
General Mills Inc	0.8
Kimberly-Clark Corp	0.7
PepsiCo Inc	0.6
Kenvue Inc	0.3
Procter & Gamble Co	0.2
<b>Energy</b>	<b>8.0</b>
ConocoPhillips	1.5
Phillips 66	1.5
EOG Resources Inc	1.5
Valero Energy Corp	1.4
Exxon Mobil Corp	1.2
TechnipFMC PLC	0.6
Chevron Corp	0.1

As of 30-Jun-24	Equivalent exposure (%)
<b>Financials</b>	<b>21.8</b>
JPMorgan Chase & Co	3.6
Wells Fargo & Co	2.4
Berkshire Hathaway Inc	2.0
American Express Co	1.6
Citigroup Inc	1.6
Chubb Ltd	1.6
Fiserv Inc	1.5
Goldman Sachs Group Inc	1.3
Corebridge Financial Inc	1.2
Charles Schwab Corp	1.1
Ameriprise Financial Inc	0.8
Popular Inc	0.6
Hartford Financial Services Group Inc	0.5
MetLife Inc	0.5
American International Group Inc	0.4
Bank of America Corp	0.3
Northern Trust Corp	0.3
Morgan Stanley	0.3
Synchrony Financial	0.2
<b>Health Care</b>	<b>14.8</b>
Johnson & Johnson	2.7
Pfizer Inc	2.0
Cigna Group	1.7
Vertex Pharmaceuticals Inc	1.6
McKesson Corp	1.5
Medtronic PLC	1.1
Biogen Inc	0.8
Becton Dickinson & Co	0.7
Organon & Co	0.6
Boston Scientific Corp	0.5
Veeva Systems Inc	0.4
AbbVie Inc	0.4

# Portfolio Holdings



As of 30-Jun-24	Equivalent exposure (%)
<b>Health Care</b>	<b>14.8</b>
Gilead Sciences Inc	0.4
Abbott Laboratories	0.4
<b>Industrials</b>	<b>13.1</b>
Eaton Corp PLC	1.6
General Dynamics Corp	1.5
CSX Corp	1.4
Honeywell International Inc	1.2
Union Pacific Corp	1.2
Trane Technologies PLC	0.9
AGCO Corp	0.9
Builders FirstSource Inc	0.9
United Parcel Service Inc	0.7
AZEK Co Inc	0.7
Masco Corp	0.7
CNH Industrial NV	0.6
Timken Co	0.5
CACI International Inc	0.2
Westinghouse Air Brake Technologies Corp	0.2
<b>Information Technology</b>	<b>8.9</b>
Amphenol Corp	1.6
Salesforce Inc	1.5
Applied Materials Inc	1.5
Lam Research Corp	1.4
NXP Semiconductors NV	1.1
Accenture PLC	0.5
Motorola Solutions Inc	0.4
Marvell Technology Inc	0.3
Microsoft Corp	0.2
Intel Corp	0.2
Corning Inc	0.2
<b>Materials</b>	<b>4.2</b>
RPM International Inc	1.2

As of 30-Jun-24	Equivalent exposure (%)
<b>Materials</b>	<b>4.2</b>
Linde PLC	1.1
Eastman Chemical Co	1.0
United States Steel Corp	0.4
PPG Industries Inc	0.3
Mosaic Co	0.2
Chemours Co	0.2
<b>Real Estate</b>	<b>5.1</b>
Highwoods Properties Inc REIT	1.2
Jones Lang LaSalle Inc	1.2
Kimco Realty Corp REIT	0.6
Cousins Properties Inc REIT	0.5
Park Hotels & Resorts Inc REIT	0.4
SBA Communications Corp REIT	0.3
Essential Properties Realty Trust Inc REIT	0.2
ProLogis REIT	0.2
WP Carey Inc REIT	0.2
American Tower Corp REIT	0.2
<b>Utilities</b>	<b>5.1</b>
Duke Energy Corp	1.4
NRG Energy Inc	0.9
PG&E Corp	0.9
Edison International	0.7
UGI Corp	0.5
National Fuel Gas Co	0.5
Dominion Energy Inc	0.3

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