



MFS® Global New Discovery 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. 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



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.

Mid-cap: Investments in mid-cap companies can be more volatile than investments in larger companies.

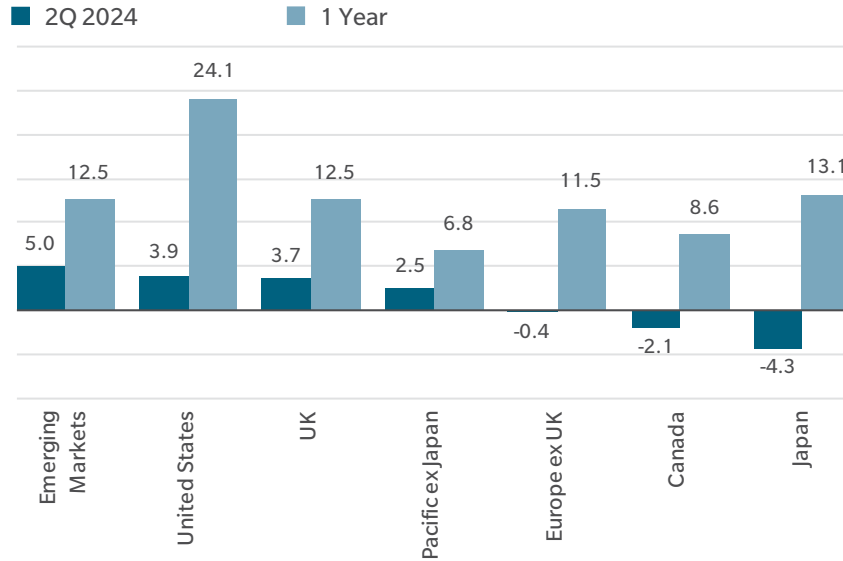
Small-cap: Investments in small-cap companies can be more volatile than investments in larger companies.

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

Market Overview

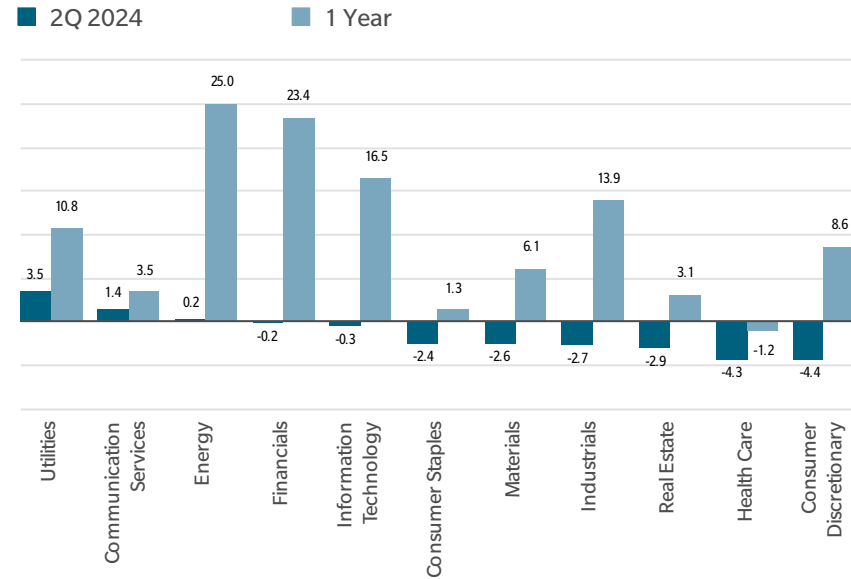


Region performance (%) (USD) as of 30-Jun-24



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

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



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

Global Equities market review as of 30-Jun-2024

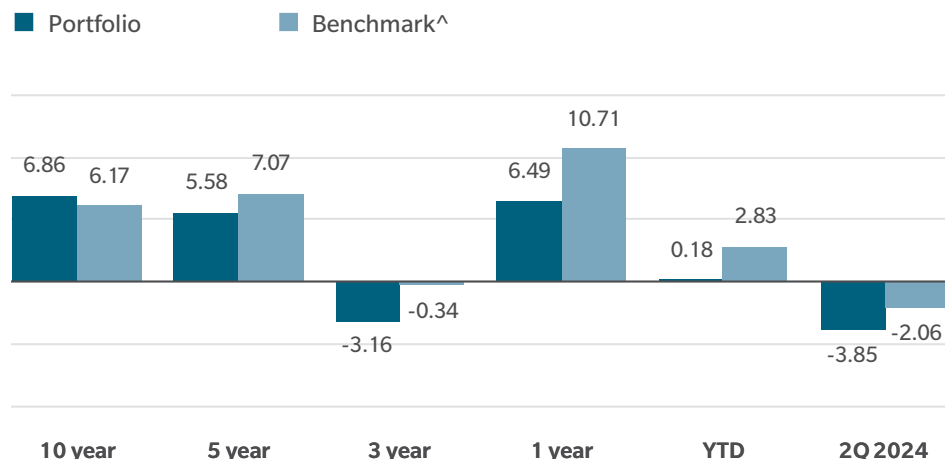
- The global equity market rally continued in Q2 of 2024, helped by improving economic data and expectation of less restrictive monetary policy.
- While recent and anticipated interest rate cuts by global central banks have supported equity markets, the pace and magnitude of rate cuts remain uncertain and dependent on the inflation outlook.

- The equity market has been narrowly focused on and led by large US growth stocks, particularly those perceived to be beneficiaries of AI. Market concentration continues to present a key risk to investors.
- Other risks to the market include excessive fiscal spending, elections, trade tensions, supply chain challenges, wars, and geopolitical conflicts.

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://www.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 Small Mid Cap Index (net div)

Sector weights (%) as of 30-Jun-24

Portfolio Benchmark^^

Top overweights

Industrials	29.6	19.2
Materials	11.3	8.0
Consumer Staples	6.2	5.0

Top underweights

Financials	8.3	14.5
Utilities	-	4.4
Information Technology	10.1	13.3

^^ MSCI All Country World Small Mid Cap Index

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The MFS Global New Discovery Fund underperformed the MSCI All Country World Small Mid Cap Index (net div) in the second quarter of 2024.

Contributors

- Individual stocks:
 - Asm International Nv
 - Howmet Aerospace Inc.
 - Gfl Environmental Inc (Eq)
 - Cranswick Plc
 - Aub Group Ltd

Detractors

- Consumer Discretionary - Stock selection
- Financials - Stock selection
- Individual stocks:
 - Summit Materials Inc
 - Melrose Industries Plc

Performance Results



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

Period	Portfolio	Benchmark [^]	Excess return vs benchmark
2Q 2024	-3.85	-2.06	-1.79
1Q 2024	4.19	4.99	-0.80
4Q 2023	11.58	11.63	-0.05
3Q 2023	-4.73	-3.55	-1.18
2024 YTD	0.18	2.83	-2.65
2023	18.53	16.02	2.51
2022	-26.82	-18.72	-8.09
2021	12.26	16.23	-3.97
2020	24.06	15.67	8.39
2019	30.66	25.37	5.29
10 year	6.86	6.17	0.69
5 year	5.58	7.07	-1.49
3 year	-3.16	-0.34	-2.82
1 year	6.49	10.71	-4.23

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.

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[^] MSCI All Country World Small Mid Cap Index (net div)

Performance Drivers - Sectors



Relative to MSCI All Country World Small Mid Cap Index (USD) - second quarter 2024		Average relative weighting (%)	Portfolio returns (%)	Benchmark returns (%)	Sector allocation ¹ (%)	+ Stock selection ² (%)	+ Currency effect (%)	= Relative contribution (%)
Contributors	Cash	3.6	1.3	—	0.1	—	0.0	0.1
	Materials	3.0	-1.6	-2.6	-0.0	0.0	0.1	0.1
	Consumer Staples	0.8	-1.8	-2.4	-0.0	0.1	-0.0	0.0
	Information Technology	-3.8	0.7	-0.3	-0.1	0.3	-0.2	0.0
Detractors	Consumer Discretionary	0.8	-9.3	-4.4	-0.0	-0.7	0.0	-0.6
	Financials	-6.4	-3.6	-0.2	-0.1	-0.2	-0.1	-0.4
	Health Care	-1.5	-7.8	-4.3	0.0	-0.3	-0.0	-0.3
	Industrials	11.1	-3.2	-2.7	-0.1	-0.3	0.2	-0.2
	Utilities	-4.5	—	3.5	-0.2	—	0.0	-0.2
	Real Estate	0.3	-5.4	-2.9	-0.0	-0.0	-0.1	-0.2
	Communication Services	-0.8	-1.6	1.4	-0.0	-0.1	-0.0	-0.1
	Energy	-2.5	-1.2	0.2	-0.0	-0.0	0.0	-0.1
Total			-3.7	-1.8	-0.5	-1.2	-0.2	-1.9

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.

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Performance Drivers - Stocks



Relative to MSCI All Country World Small Mid Cap Index (USD) - second quarter 2024		Average Weighting (%)		Returns (%)		Relative contribution(%)
		Portfolio	Benchmark	Portfolio ¹	Benchmark	
Contributors	Asm International Nv	1.7	0.2	25.4	25.4	0.4
	Howmet Aerospace Inc.	2.4	0.2	13.5	13.5	0.3
	Gfl Environmental Inc (Eq)	2.0	0.0	12.9	12.9	0.3
	Cranswick Plc	2.3	0.0	8.6	8.6	0.2
	Aub Group Ltd	1.9	0.0	9.1	9.1	0.2
Detractors	Lkq Corp	1.7	0.1	-21.6	-21.6	-0.4
	Summit Materials Inc	1.6	0.0	-17.9	-17.9	-0.3
	Melrose Industries Plc	1.8	0.1	-17.7	-17.7	-0.3
	B&M European Value Retail Sa	1.5	0.0	-18.1	-18.1	-0.3
	B3 Sa - Brasil Bolsa Balcao	1.0	—	-22.4	—	-0.2

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. 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.

Significant Impacts on Performance - Detractors



Relative to MSCI All Country World Small Mid Cap Index (USD) - second quarter 2024		Relative contribution (%)
Lkq Corp	An overweight position in specialty auto parts provider LKQ (United States) detracted from relative performance. The stock price declined as the company posted quarterly earnings below expectations due to fewer auto crashes. Specifically, North American parts and services sales growth fell more than estimated on a milder winter and decreased repairable claims. Higher insurance rates also led consumers to defer repairs to avoid higher deductibles or to drop collision coverage altogether.	-0.4
Summit Materials Inc	An overweight position in construction materials company Summit Materials (United States) weighed on relative performance. Despite reporting a strong earning upside, shares reacted negatively to flat guidance growth, which appeared to have discouraged investors. Management noted a soft volume outlook and persisting operational and market risks as key factors behind the muted outlook.	-0.3
Melrose Industries Plc	The portfolio's overweight position in aerospace company Melrose Industries (United Kingdom) held back relative performance. Although the company reported in-line first quarter sales growth, the stock price declined after its key client, Airbus Group, announced a profit warning. Costs associated with its long-term incentive plan and restructuring of aerostructure activities also weighed on the stock.	-0.3

Significant Impacts on Performance - Contributors



Relative to MSCI All Country World Small Mid Cap Index (USD) - second quarter 2024		Relative contribution (%)
Asm International Nv	An overweight position in semiconductor equipment manufacturer ASM International (Netherlands) contributed to relative performance. The share price advanced as the company reported solid gross margin performance driven by strength in China and a better product mix. In addition, strong gate-all-around (GAA) 2nm technology node orders and high bandwidth memory (HBM) related demand further supported the stock.	0.4
Howmet Aerospace Inc.	The portfolio's overweight position in Howmet Aerospace (United States), an engineered solutions provider for the aerospace and transportation industries, benefited relative returns. The stock price climbed as the company reported better-than-expected financial results, based on broad aerospace OEM and aftermarket demand, and raised its 2024 guidance.	0.3
Gfl Environmental Inc (Eq)	An overweight position in waste management provider GFL Environmental (Canada) bolstered relative returns. The share price rose as the company beat both revenue and earnings expectations alongside improved working capital management and better-than-anticipated operating margins. Management also raised its forward guidance while lower fuel costs helped to further control costs.	0.3

Significant Transactions



From 01-Apr-24 to 30-Jun-24		Sector	Transaction type	Trade (%)	Ending weight (%)
Purchases	US FOODS HOLDING CORP	Consumer Staples	New position	1.0	1.0
	UL SOLUTIONS INC	Information Technology	New position	0.8	0.9
	OBIC CO LTD	Information Technology	Add	0.5	0.9
	TOTVS SA	Information Technology	Add	0.4	1.0
	NORDSON CORP	Industrials	Add	0.4	0.7
Sales	BRUKER CORP	Health Care	Eliminate position	-1.0	-
	NS SOLUTIONS CORP	Information Technology	Trim	-0.6	1.2
	WOLTERS KLUWER NV (EQ)	Industrials	Eliminate position	-0.6	-
	JGC HOLDINGS CORP	Industrials	Eliminate position	-0.6	-
	ENVISTA HOLDINGS CORP	Health Care	Eliminate position	-0.6	-

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Sector Weights



As of 30-Jun-24	Portfolio (%)	Benchmark^ (%)	Underweight/overweight(%)	Top holdings
Industrials	29.6	19.2	10.4	Howmet Aerospace Inc, GFL Environmental Inc, Westinghouse Air Brake Technologies Corp
Materials	11.3	8.0	3.3	Symrise AG, Summit Materials Inc, Element Solutions Inc
Consumer Staples	6.2	5.0	1.2	Cranswick PLC, US Foods Holding Corp
Consumer Discretionary	12.0	11.3	0.7	Burlington Stores Inc, LKQ Corp, B&M European Value Retail SA
Real Estate	7.4	7.0	0.4	Mid-America Apartment Communities Inc REIT, Multiplan Empreendimentos Imobiliarios SA, Sun Communities Inc REIT
Communication Services	3.1	4.0	-0.9	Scout24 SE
Health Care	6.5	8.8	-2.3	ICON PLC, STERIS PLC, Gerresheimer AG
Energy	2.0	4.5	-2.5	TechnipFMC PLC
Information Technology	10.1	13.3	-3.2	ASM International NV, NS Solutions Corp, Kinaxis Inc
Utilities	-	4.4	-4.4	
Financials	8.3	14.5	-6.2	AUB Group Ltd, Euronext NV, Cboe Global Markets Inc

^ MSCI All Country World Small Mid Cap Index

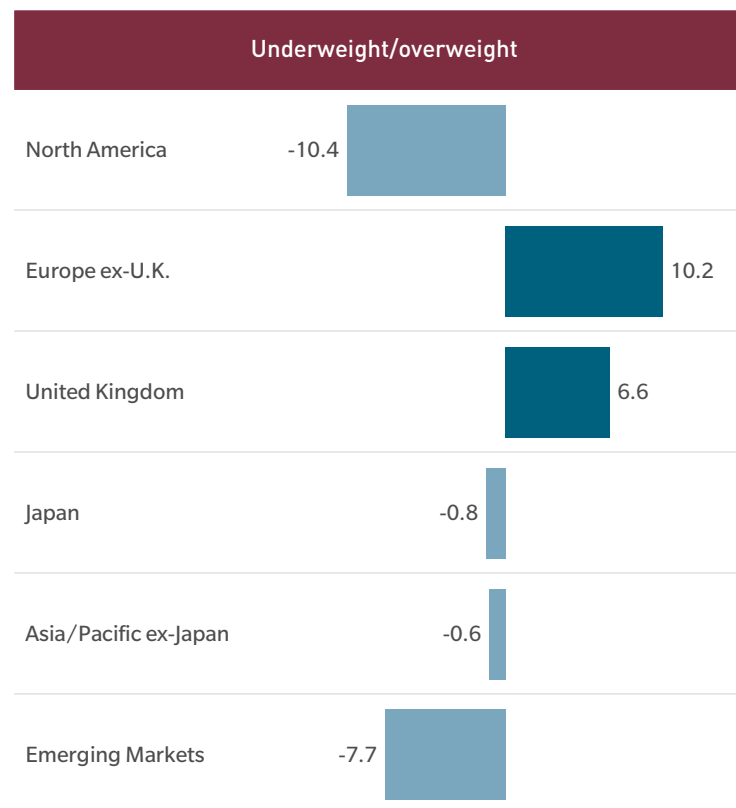
3.6% Cash & cash equivalents

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Region and Country Weights



As of 30-Jun-24	Portfolio (%)	Benchmark^ (%)	Underweight/overweight(%)
North America	45.1	55.5	-10.4
Canada	5.7	3.3	2.4
United States	39.4	52.2	-12.8
Europe ex-U.K.	21.8	11.6	10.2
Germany	5.5	1.7	3.8
France	4.6	1.5	3.1
Netherlands	2.7	1.0	1.7
Norway	1.8	0.6	1.2
Switzerland	2.7	1.6	1.1
Italy	2.1	1.0	1.1
Spain	0.9	0.5	0.4
Austria	0.6	0.3	0.3
Sweden	0.8	1.5	-0.7
Other countries ¹	0.0	1.9	-1.9
United Kingdom	10.6	4.0	6.6
Japan	8.2	9.0	-0.8
Asia/Pacific ex-Japan	4.0	4.6	-0.6
Singapore	0.8	0.6	0.2
Australia	3.1	3.0	0.1
Other countries ¹	0.0	1.0	-1.0
Emerging Markets	6.7	14.4	-7.7
Brazil	3.1	0.6	2.5
Mexico	0.9	0.3	0.6
Philippines	0.7	0.1	0.6
Turkey	0.4	0.3	0.1
China	0.6	1.9	-1.3
India	1.0	3.2	-2.2
Other countries ¹	0.0	8.0	-8.0



^ MSCI All Country World Small Mid Cap Index

3.6% Cash & cash equivalents

The portfolio does not own securities represented in the benchmark in the following percentages: Developed - Middle East/Africa region 0.9%.

¹ The portfolio does not own any securities in countries represented in the benchmark in the following percentages: Taiwan 2.8%; South Korea 1.7%; Israel 0.9%; South Africa 0.8%; Denmark 0.6%; Hong Kong 0.6%; Saudi Arabia 0.6%; Finland 0.5% and 20 countries with weights less than 0.5% which totals to 3.3%.

Characteristics



As of 30-Jun-24	Portfolio	Benchmark [^]
Fundamentals - weighted average		
IBES long-term EPS growth ¹	12.9%	—
Price/earnings (12 months forward ex-negative earnings)	18.6x	14.9x
Return on equity (3-year average)	15.5%	13.8%
Market capitalization		
Market capitalization (USD) ²	10.8 bn	11.4 bn
Diversification		
Top ten issues	21%	2%
Number of Issues	94	7,667
Turnover		
Trailing 1 year turnover ³	36%	—
Risk profile (current)		
Active share	97%	—
Risk/reward (5 year)		
Beta	0.94	—

[^] MSCI All Country World Small Mid Cap 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 30-Jun-24	Portfolio (%)	Benchmark^ (%)
CRANSWICK PLC	2.4	0.0
HOWMET AEROSPACE INC	2.3	0.2
GFL ENVIRONMENTAL INC (EQ)	2.3	0.0
WESTINGHOUSE AIR BRAKE TEC(EQ)	2.2	0.1
ICON PLC	2.1	-
AUB GROUP LTD	2.1	0.0
ASM INTERNATIONAL NV	2.0	0.2
STERIS PLC	1.8	0.1
EURONEXT NV (EQ)	1.8	0.0
BURLINGTON STORES INC	1.7	0.1
Total	20.7	0.8

^ MSCI All Country World Small Mid Cap Index

Portfolio Outlook and Positioning



Portfolio performance:

For the quarter, the strategy underperformed the MSCI ACWI SMID Index. Year-to-date, while the strategy is underperforming its index it remains in the top half of the Morningstar Global Small/Mid Stock category.

Within the global small- and midcap asset class, top-performing industries included marine transportation, internet and direct marketing retail, independent power and renewable electricity producers and wireless telecommunication services. Conversely, life sciences tools and services, distributors, ground transportation and health care technology proved the worst performing industries. Regionally, emerging markets and Europe ex-UK were the top performers, while Japan, developed Middle East/Africa and North America lagged the broader market.

For the quarter, holdings in consumer discretionary, financials, and health care weighed on relative performance results, while positions in materials and consumer staples benefited relative performance. Within consumer discretionary, top detractors included holdings in distributors (LKQ Corporation), broadline retail (B&M European Value Retail), and automobile components (Lear Corporation). Within financials, exposure in capital markets (B3, Cboe Global Markets, Carlyle Group) coupled with an underweight to the baking industry detracted, while holdings in life sciences and tools (Bruker Corporation, ICON, Tecan Group) dampened results in the health care sector. In terms of positive contributors to relative results, positions in chemicals (UPL, Element Solutions, Symrise, Borregaard) aided results in the materials sector, while positions in consumer staples distribution and retail (US Foods Holding) lifted performance in consumer staples.

From a regional perspective, positions in emerging markets, notably Brazil (B3, Multiplan Empreendimentos Imobiliarios), an underweight to India, and the United Kingdom (Melrose Industries, B&M European Value Retail, Burberry Group) weighed on results, while a strong showing in Asia Pacific ex-Japan, mainly Australia (AUB Group, Lottery Corporation) and North America, notably Canada (GFL Environmental, RB Global), aided results.

Portfolio Outlook and Positioning



Portfolio positioning:

For the quarter, we added three new positions to the portfolio, while eliminating six, bringing total name count to ninety-four as of the end of June.

As of June 30, the portfolio remained most overweight the industrials sector. Within industrials, we continue to focus on businesses in the commercial services and supplies industry where GFL Environmental, a Canadian based major diversified environmental services company and Ritchie Bros. Auctioneers, the world's largest industrial auctioneer and seller of used heavy industrial equipment, remain top positions.

We remain overweight the materials sector, where we prefer select specialty chemical stocks that have historically displayed more stable returns and margins over time. At the same time, we continued to avoid paper and forest products companies as well as companies in the metals and mining space, as those firms' earnings are very dependent on volatile commodity prices.

The portfolio's largest underweights remained the financial services sector and utilities. In financial services, we feel the banking industry remains strategically challenged across a range of issues despite the prospect of higher interest rates. Ongoing issues include concerns around sovereign debt, regulatory challenges and the requirement for capital replenishment. Additionally, the utilities sector continues to remain unattractive in our view, given the highly regulated, capital intensive nature of businesses in this area of the market.

From a regional perspective, we continue to monitor our underweight allocation to North America (notably US small- and midcap stocks) and our offsetting overweight to Europe and the UK. While regional allocations, like sectors, are the result of bottom-up stock selection, where we utilize global comparisons to seek to identify the "best opportunities" globally, we also look to ensure that security selection is the primary driver of both alpha and risk. In this context we are mindful of our current regional exposures, and actively looking for opportunities to narrow this gap, but importantly only if we are able to identify compelling quality businesses trading at reasonable valuations in order to do so.

Portfolio Outlook and Positioning



Below is a sample list of new names added and names eliminated over the course of the second quarter:

New Positions:

- **US Foods Holding (new position):** US Foods distributes food and nonfood products to the health care and hospitality industries, restaurants and education, government facilities and grocers. In addition to its delivery business, the firm has 80 cash-and-carry stores under the Chef'Store banner. The company generates majority of the revenue from meats and seafood products. We initiated a position in US Foods following our meeting with the new CEO. We liked the CEO's former experience and performance results as the prior CEO of Builder's First Source and Performance Food Group. We don't view US Foods as a "fixer-upper," so change is likely on the margin and primarily around the structure of the sales force, with a new regional format whereby all four regional heads now own their own P&L and have more discretion around regional demands (closer to the customer versus centralized model). While a bit early to measure success, the company is clearly taking share with independent case growth well above GDP. Inflation has no doubt been a tailwind to growth but that has already decelerated from 13% in 2022 to 3.7% in first quarter of this year, and despite this, revenues still grew low double digits in Q1. The primary reason for owning the food distributors is the share gain opportunity of the largest, scaled players (like US Foods) that we believe can drive mid-single-digit organic growth, high-single digit EBITDA growth, and mid-teens earnings growth.
- **UL Solutions (new position):** UL Solutions is a global leader specializing in a broad range of product testing, inspection and certification (TIC) services. UL Solutions is the for-profit branch out of three organizations under the UL Enterprise. TIC operations make up nearly all of UL Solutions' total revenue and are composed of two segments: industrial and consumer. UL Solutions' remaining business includes software and advisory, or S&A, which complements its core TIC offerings. UL Solutions was a recent IPO in the test, inspection, certification (TIC) space, an area our MFS European colleagues are quite familiar with given the number of public equities that trade locally there (Bureau Veritas, Intertek, SGS). We view this as a high-quality industry wherein UL Solutions has a strong brand positioning, especially in consumer and electronics products, with its UL stamp. Revenues are mostly recurring or re-occurring with annual inspection/certification audits and new product innovation. The company is over 100 years old and operated as a non-profit up until recently. The new management team brings with them solid public equity and strong operational backgrounds and we believe should be able accelerate organic growth, drive margin expansion and deliver low-to-mid teen earnings growth over medium term. The stock came public at a modest discount to its European peers but with strong performance out of the gates and now trades at a modest premium, one we think is warranted given some of the differences we've identified versus peers.

Portfolio Outlook and Positioning



- **Nordson (new position):** Nordson manufactures equipment (including pumps, valves, dispensers, applicators, filters and pelletizers) used for dispensing adhesives, coatings, sealants and other materials. The firm serves a diverse range of end markets including packaging, medical, electronics and industrial. Nordson's business is organized into three segments: industrial precision solutions, medical and fluid solutions and advanced technology solutions. The company generated approximately \$2.6 billion in revenue in its fiscal 2023. In our view, Nordson represents a very high-quality industrial that has absorbed recent cyclical weakness which should position it to grow strongly from 2024 onward given its attractive end market exposures. The stock trades at a very reasonable relative multiple compared to peers and the broader market. We initiated a position at what we believe to be an attractive entry point for this quality industrial compounder. We also viewed the stock as a high-quality alternative to our position in Ingersoll Rand, which we sold as the market capitalization had exceeded the upper-range of the small- and midcap benchmark.

Eliminations:

- **Bruker (elimination):** Bruker Corp manufactures scientific instruments and diagnostic tests for customers in the life sciences, pharmaceutical and biotechnology industries. It operates in four operating segments: Bruker Scientific Instruments (BSI) BioSpin, BSI CALID, BSI Nano and Bruker Energy and Supercon Technologies (BEST). The company generates maximum revenue from the BSI CALID segment. Geographically, it derives the maximum of its revenue from Asia Pacific. We sold our holding in Bruker during the period on what we viewed as thesis drift driven by the firm's most recent acquisition (an asset we were familiar with and questioned management on) which has driven up leverage to levels we are less comfortable with, especially given the stock's current multiple.
- **JGC Holdings (elimination):** JGC Holdings offers planning, consulting, materials procurement, construction, operation and maintenance for various plants and facilities. In addition, it invests in oil and gas field development projects and utility businesses. The company has two operating segments: total engineering (the majority of total revenue) and catalysts and fine products. It constructs and performs tests on machinery and plants for multiple energy and industrial markets. The company utilizes engineering technology and project management capabilities. We sold our position in JGC as we felt that the current management team had done a poor job executing recently coupled with some fixed price contracts the company had taken on that proved more challenging than anticipated.

Portfolio Outlook and Positioning



- **Envista Holdings (elimination):** Envista Holdings Corp is a dental products company. It develops, manufactures and markets portfolios of dental consumables, equipment and services to dental professionals. The company's business consists of two segments comprising specialty products and technologies and equipment and consumables. The company's specialty products and technologies segment develops, manufactures and markets dental implant systems, including regenerative solutions, dental prosthetics and associated treatment software and technologies, as well as orthodontic bracket systems, aligners and lab products. The company's equipment and consumables segment manufactures dental equipment and supplies used in dental offices, including digital imaging systems, software and other visualization/magnification systems. We exited our position in Envista during the quarter as we lost confidence in management's ability to execute on their stated business plan to grow and expand margins as well as ongoing issues in the company's implant business.
- **Rapid7 (elimination):** Founded in 2000, Rapid7 is a cybersecurity company that began providing vulnerability management solutions. It has, however, expanded its portfolio to provide extended detection and response, security information and event management, cloud security, threat intelligence and application security, and security orchestration, automation, and response. The Boston-based company went public in 2015. While the uptick in security breaches has spurred more spending, it has also significantly increased competition among security software vendors. As a result, the firm's current competitors include significantly larger public cloud vendors, such as Microsoft, as well as pure-play cybersecurity providers such as CrowdStrike. In light of this increased competition, particularly given these firms are larger and better capitalized versus Rapid7, we decided to move on from our position.
- **Wolters Kluwer, Ingersoll Rand (elimination):** While we continue to view Wolters Kluwer and Ingersoll Rand favorably, as a dedicated small- and midcap manager, true to our mandate, the market cap of these companies became too large and led to our elimination of both names from the portfolio.

Market Outlook

Despite near-term underperformance relative to their large-cap counterparts, driven in large part by investor enthusiasm in generative AI, we continue to view the opportunity set for global small- and midcaps as particularly attractive. Looking back historically, from end of the dot.com era (early 2000s) up until the early days of the global financial crisis (GFC) (2008), global small- and midcap stocks

Portfolio Outlook and Positioning



significantly outperformed relative to their large-cap counterparts, with the MSCI ACWI SMID Index returning 94% versus the MSCI ACWI Large Cap Index return of just 21%. And while no two periods are perfectly alike, one could draw a number of similarities between that roughly eight-year period from the early to late 2000s to today's environment. First, and importantly, valuations potentially offer investors a buying opportunity not seen in decades, as valuations are close to two standard deviations "cheap" relative to large caps. Next, inflation and interest rates during the run up to the GFC are more aligned with today's reality versus what we witnessed in the decade following the GFC to the culmination of the COVID Pandemic. At that time, inflation was essentially non-existent and globally yields were either close to zero or even in negative territory, where, from 2000 through the end of 2007, the 10-year US treasury yield averaged 4.7% and global inflation averaged 3.7%, not dissimilar from where we find ourselves today. Further, markets during the pre-GFC period also witnessed a dramatic sell-off as the dot.com bubble burst. The high-flying technology stocks with unattainable growth expectations — think irrational exuberance — of that period are rather analogous to the lofty expectations embedded in some of today's most widely held stocks. Looking at the concentration of the tech-heavy S&P 500, and Russell 1000® Growth Index, similarities are again quite apparent and were followed by a sustained period of small- and midcap outperformance.

Key takeaways

- Given expectations for a low-return environment at some point over the next decade, we believe small- and midcap stocks may offer attractive alpha opportunities and can potentially play an important role in a well-diversified portfolio.
- While equity valuations have limited predictive power on stock returns over shorter timer horizons, they matter a lot over the long term. Today, relative valuations for global small- and midcap stocks are at multi-decade lows relative to their large-cap counterparts, levels seen only during the Tech Bubble, after which was a strong decade for small- and midcap stocks.
- In light of the size of the universe and sparse sell side research coverage, we believe a deep, collaborative and centralized global research platform is essential to identifying alpha potential. Our global reach platform allows us to perform global comparisons on companies across various industries and geographies to identify which company has the strongest potential and better valuation. We are actively collaborating and leveraging our global research platform to identify companies that meet our investment criteria and we

Portfolio Outlook and Positioning



believe we have the experience and discipline to navigate through periods of volatility and macroeconomic uncertainty, as demonstrated by our long-term track record of managing small- and midcap assets through various market cycles.

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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 30-Jun-24	Country	Equivalent exposure (%)
Cash & Cash Equivalents		3.6
Cash & Cash Equivalents		3.6
Communication Services		3.1
Scout24 SE	Germany	1.2
CTS Eventim AG & Co KGaA	Germany	1.0
Infrastrutture Wireless Italiane SpA	Italy	0.9
Consumer Discretionary		12.0
Burlington Stores Inc	United States	1.7
LKQ Corp	United States	1.6
B&M European Value Retail SA	United Kingdom	1.4
Skechers U.S.A. Inc	United States	1.1
Lottery Corp Ltd	Australia	1.1
Amadeus IT Group SA	Spain	0.9
Sodexo SA	France	0.8
Lear Corp	United States	0.8
Nishimatsuya Chain Co Ltd	Japan	0.7
ZOZO Inc	Japan	0.7
Burberry Group PLC	United Kingdom	0.6
Yum China Holdings Inc	China	0.6
Consumer Staples		6.2
Cranswick PLC	United Kingdom	2.4
US Foods Holding Corp	United States	1.0
Bakkafrost P/F	Norway	0.7
Universal Robina Corp	Philippines	0.7
Toyo Suisan Kaisha Ltd	Japan	0.7
S Foods Inc	Japan	0.5
Energy		2.0
TechnipFMC PLC	United States	1.3
Matador Resources Co	United States	0.6
Financials		8.3
AUB Group Ltd	Australia	2.1
Euronext NV	France	1.8
Cboe Global Markets Inc	United States	1.2

As of 30-Jun-24	Country	Equivalent exposure (%)
Financials		8.3
Shizuoka Financial Group Inc	Japan	1.1
B3 SA - Brasil Bolsa Balcao	Brazil	1.0
Carlyle Group Inc	United States	0.6
Multiply Group SpA	Italy	0.6
Health Care		6.5
ICON PLC	United States	2.1
STERIS PLC	United States	1.8
Gerresheimer AG	Germany	1.0
As One Corp	Japan	0.6
Tecan Group AG	Switzerland	0.5
Selcuk Ecza Deposu Ticaret ve Sanayi A.S.	Turkey	0.4
Industrials		29.6
Howmet Aerospace Inc	United States	2.3
GFL Environmental Inc	Canada	2.3
Westinghouse Air Brake Technologies Corp	United States	2.2
nVent Electric PLC	United States	1.7
Jacobs Solutions Inc	United States	1.6
Melrose Industries PLC	United Kingdom	1.5
Veralto Corp	United States	1.4
RB Global Inc	Canada	1.4
Boyd Group Services Inc	Canada	1.0
IDEX Corp	United States	0.9
Allegion plc	United States	0.9
AZEK Co Inc	United States	0.9
Singapore Technologies Engineering Ltd	Singapore	0.8
Atmus Filtration Technologies Inc	United States	0.8
Saia Inc	United States	0.8
Kardex Holding AG	Switzerland	0.8
AGCO Corp	United States	0.8
Daiseki Co Ltd	Japan	0.8
VAT Group AG	Switzerland	0.8
RS GROUP PLC	United Kingdom	0.8

Portfolio Holdings



As of 30-Jun-24	Country	Equivalent exposure (%)
Industrials		29.6
IMCD NV	Netherlands	0.8
XPO Inc	United States	0.7
Dun & Bradstreet Holdings Inc	United States	0.7
Nordson Corp	United States	0.7
Pluxee NV	France	0.7
Elis SA	France	0.6
Interpump Group SpA	Italy	0.6
Zurn Elkay Water Solutions Corp	United States	0.5
Information Technology		10.1
ASM International NV	Netherlands	2.0
NS Solutions Corp	Japan	1.2
Kinaxis Inc	Canada	1.1
TOTVS SA	Brazil	1.0
Teledyne Technologies Inc	United States	1.0
Onto Innovation Inc	United States	1.0
UL Solutions Inc	United States	0.9
Obic Co Ltd	Japan	0.9
Azbil Corp	Japan	0.6
Digital Garage Inc	Japan	0.4
Materials		11.3
Symrise AG	Germany	1.6
Summit Materials Inc	United States	1.5
Element Solutions Inc	United States	1.2
Borregaard ASA	Norway	1.0
Breedon Group PLC	United Kingdom	1.0
UPL Ltd	India	1.0
Essentra PLC	United Kingdom	0.8
Verallia SA	France	0.7
Axalta Coating Systems Ltd	United States	0.7
SIG Group AG	Switzerland	0.6
Mayr Melnhof Karton AG	Austria	0.6
Croda International PLC	United Kingdom	0.4

As of 30-Jun-24	Country	Equivalent exposure (%)
Real Estate		7.4
Mid-America Apartment Communities Inc REIT	United States	1.3
Multiplan Empreendimentos Imobiliarios SA	Brazil	1.1
Sun Communities Inc REIT	United States	1.1
Corp Inmobiliaria Vesta SAB de CV	Mexico	0.9
UNITE Group PLC REIT	United Kingdom	0.9
Catena AB	Sweden	0.8
Big Yellow Group PLC REIT	United Kingdom	0.8
LEG Immobilien SE	Germany	0.7

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