



# MFS Meridian® Funds - European Value Fund

(A1EUR Share Class)  
Fourth quarter 2019 investment report

Effective 20 April 2015 this fund is closed to new investors, with very limited exceptions.

MAY LOSE VALUE - NOT GUARANTEED

See important disclosures on final page of presentation.

**See the fund's offering documents for more details, including information on fund risks and expenses.**

The MFS Meridian Funds are not available for sale in the United States or Canada or to US persons.

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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.

All characteristics and weightings do reflect the effect of exposure/weightings for hedging of hedged share classes.

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-EVF-31-Dec-19

## 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, 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.

**Geographic:** Because the portfolio may invest a substantial amount of its assets in issuers located in a single country or in a limited number of countries, it may be more volatile than a portfolio that is more geographically diversified.

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

# Disciplined Investment Approach



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## Investment objective

The fund's investment objective is capital appreciation, measured in Euros. The fund invests at least 70% of its assets in European equity securities.

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## Goal

Outperform the MSCI Europe Index (net div) over full market cycles with an emphasis on downside risk management.

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## Strategy

### **Invest rather than speculate**

*Many market participants speculate on near-term information and over-react to short-term newsflow.*

- We invest on a long term time horizon. Our global research platform, collaborative investment approach and compensation structure are all aligned with this timeframe.

### **Analyze rather than forecast**

*Many market participants attach too much weight to forecasts, which often prove inaccurate, particularly at inflection points.*

- We seek an analytical advantage by evaluating the long-term quality, sustainability, improvement potential and intrinsic value of businesses.

### **Focus on downside risk**

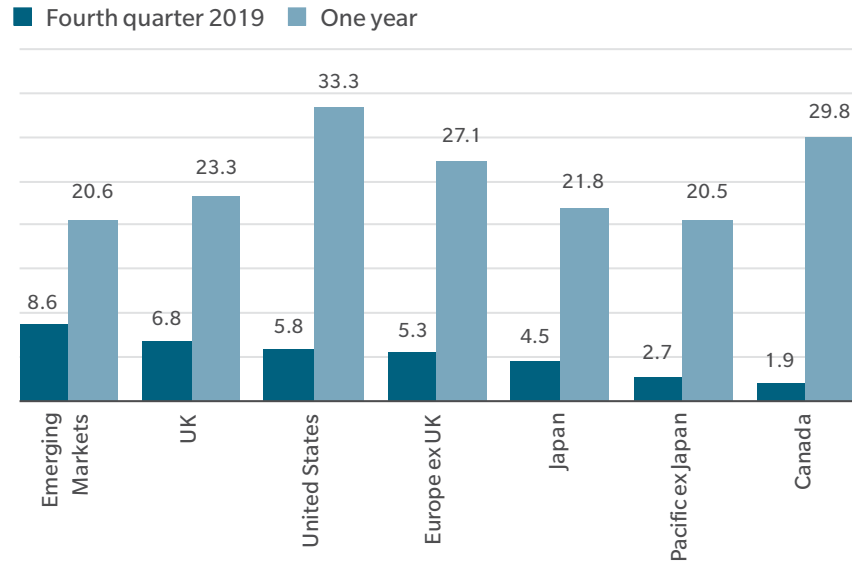
*Many market participants overemphasize upside potential vs. downside risk.*

- We manage capital by seeking to avoid stocks with substantial downside risk, and only invest where we believe valuations more than compensate for inherent risks.
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# Market Overview

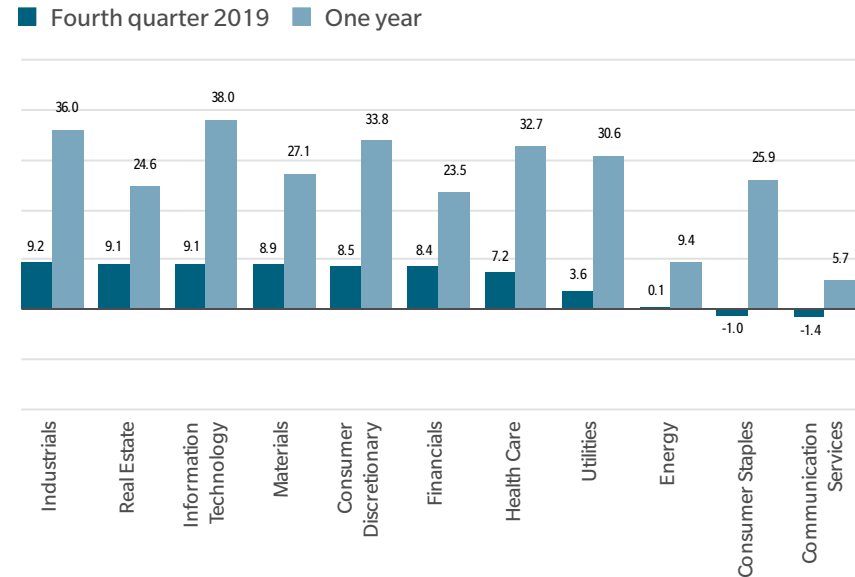


Region performance (%) (EUR) as of 31-Dec-19



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

Sector performance (%) (EUR) as of 31-Dec-19



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

## Market review as of 31-Dec-2019

- Global equities delivered very strong returns with low volatility in 2019 driven primarily by multiple expansion.
- Accommodative monetary policies by global central banks, progress in US-China trade negotiations, continued employment growth and consumer spending have provided support to equity markets.
- Earnings growth has slowed across regions although there are signs of bottoming.

- The market is exhibiting symptoms of late-cycle dynamics where investment demand outstrips supply. Prudent security selection will be critical in this environment.

# MiFID II Performance Standard



Performance results (%) A1EUR shares 12 month rates of total return at NAV as of the period ended:	
31-Dec-19	27.78
31-Dec-18	-5.52
31-Dec-17	14.74
31-Dec-16	-0.33
31-Dec-15	14.75

Start of Class Performance: 01-Oct-02. Fund Inception Date: 01-Oct-02.

Other share classes are available for which performance and expenses will differ.

**Past performance is not a reliable indicator for future results.**

**All financial investments involve an element of risk. The value of investments may rise and fall so you may get back less than originally invested.**

Investors should consider the risks, including lower returns, related to currency movements between their investing currency and the portfolio's base currency, if different.

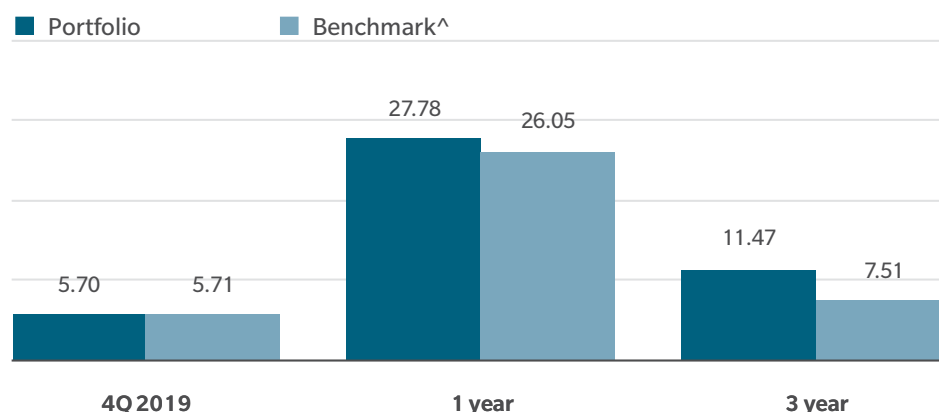
For periods of less than one-year returns are not annualized.

The Markets in Financial Instruments Directive (MIFID) is the EU legislation that regulates firms who provide services to clients linked to financial instruments.

# Executive Summary



Performance results (%) A1EUR shares average annual rates of total return at NAV as of 31-Dec-19



The source for all fund data is MFS. Source for benchmark performance: SPAR, FactSet Research Systems Inc.  
 Start of Class Performance: 01-Oct-02. Fund Inception Date: 01-Oct-02.  
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 All financial investments involve an element of risk. The value of investments may rise and fall so you may get back less than originally invested.  
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**Past performance is not a reliable indicator for future results.**

^ MSCI Europe Index (net div)

Sector weights (%) as of 31-Dec-19	Portfolio	Benchmark^^
<b>Top overweights</b>		
Information Technology	16.9	6.0
Consumer Staples	23.0	13.9
Industrials	22.0	13.9
<b>Top underweights</b>		
Health Care	3.6	13.8
Financials	7.9	18.0
Energy	-	6.7

^^ MSCI Europe Index

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The MFS Meridian Funds - European Value Fund performed in line with the MSCI Europe Index in the fourth quarter of 2019.

Contributors	Detractors
<ul style="list-style-type: none"> <li>Information Technology – Stock selection and an overweight position</li> <li>Industrials – Stock selection and an overweight position</li> <li>Individual stocks:                             <ul style="list-style-type: none"> <li>- Flutter Entertainment PLC</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Consumer Staples – Overweight position</li> <li>Financials – Stock selection and an underweight position</li> <li>Individual stocks:                             <ul style="list-style-type: none"> <li>- Temenos Ag</li> <li>- Compass Group</li> </ul> </li> </ul>

# Performance Results



Performance results (%) A1EUR shares average annual rates of total return at NAV as of 31-Dec-19

Period	Portfolio (%)	Benchmark^ (%)	Excess return vs benchmark (%)
4Q 2019	5.70	5.71	-0.01
3Q 2019	1.95	2.58	-0.62
2Q 2019	4.32	3.01	1.30
1Q 2019	13.68	12.84	0.83
2019	27.78	26.05	1.73
2018	-5.52	-10.57	5.05
2017	14.74	10.24	4.50
2016	-0.33	2.58	-2.91
2015	14.75	8.22	6.53
1 year	27.78	26.05	1.73
3 year	11.47	7.51	3.96
5 year	9.64	6.65	2.99
10 year	11.03	7.78	3.25

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^ MSCI Europe Index (net div)



## Performance Drivers - Sectors



Relative to MSCI Europe Index (EUR) - fourth quarter 2019		Average relative weighting (%)	Portfolio returns (%)	Benchmark returns (%)	Sector allocation <sup>1</sup> (%) +	Stock selection <sup>2</sup> (%) +	Currency effect (%) =	Relative contribution (%)
<b>Contributors</b>	Information Technology	10.9	13.1	9.1	0.5	0.5	0.0	1.0
	Industrials	7.9	11.0	9.2	0.3	0.4	0.0	0.6
	Energy	-7.0	-	0.1	0.5	-	-0.1	0.4
	Communication Services	-4.6	-	-1.4	0.4	-	-0.0	0.3
	Utilities	-4.2	0.2	3.6	0.1	-0.0	0.0	0.1
<b>Detractors</b>	Consumer Staples	9.5	-2.0	-1.0	-0.7	-0.0	-0.2	-0.9
	Financials	-10.2	3.7	8.4	-0.2	-0.4	-0.0	-0.6
	Consumer Discretionary	-0.3	6.1	8.5	-0.0	-0.3	0.1	-0.2
	Health Care	-10.1	6.5	7.2	-0.2	-0.0	0.0	-0.2
	Cash	1.8	-0.1	-	-0.1	-	-0.0	-0.1
	Real Estate	5.8	5.5	9.1	0.2	-0.2	-0.1	-0.1
	Materials	0.5	8.7	8.9	0.0	0.0	-0.1	-0.0
<b>Total</b>			<b>6.1</b>	<b>5.8</b>	<b>0.7</b>	<b>-0.0</b>	<b>-0.3</b>	<b>0.4</b>

<sup>1</sup> Sector allocation is calculated based upon each security's price in local currency.

<sup>2</sup> 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. 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 - Stocks



Relative to MSCI Europe Index (EUR) - fourth quarter 2019		Average Weighting (%)		Returns (%)		Relative contribution (%)
		Portfolio	Benchmark	Portfolio <sup>1</sup>	Benchmark	
<b>Contributors</b>	Aveva Group Plc	2.3	0.0	31.4	5.3	0.5
	Flutter Entertainment PLC	1.7	0.1	26.6	26.3	0.3
	Spectris PLC	1.5	-	25.3	-	0.3
	Infineon Technologies Ag	1.6	0.3	23.0	23.0	0.2
	Spirax-Sarco Engineering Plc	1.7	0.1	18.8	18.8	0.2
<b>Detractors</b>	Groupe Danone SA	2.4	0.6	-8.6	-8.6	-0.3
	Heineken Intl NV	3.1	0.4	-4.3	-4.6	-0.3
	Nestle SA	6.5	3.6	-3.2	-3.2	-0.3
	Temenos Ag	1.6	0.1	-8.3	-8.3	-0.2
	Compass Group	2.3	0.4	-5.7	-5.7	-0.2

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

Attribution results are generated by the FactSet application utilizing a methodology that is widely accepted in the investment industry. Results are based upon daily holdings using a buy-and-hold methodology to generate individual security returns and do not include fees or expenses. As such, attribution results are essentially estimates and do not aggregate to the total return of the portfolio, which can be found elsewhere in this presentation. To obtain the contribution calculation methodology and a complete list of every holding's contribution to the overall portfolio's performance during the measurement period, please email [DLAttributionGrp@MFS.com](mailto:DLAttributionGrp@MFS.com).

## Significant Impacts on Performance - Detractors



Relative to MSCI Europe Index (EUR) - fourth quarter 2019			Relative contribution [%]
<b>Consumer Staples</b>		An overweight position in Consumer Staples detracted from relative performance as the sector underperformed the broad market over the quarter.	-0.9
	Groupe Danone SA	An overweight position in food processing company Danone (France) negatively impacted relative performance. The company posted weaker-than-expected sales, owing to organic volume declines in its Essential Dairy Products and Waters divisions.	-0.3
	Heineken Intl NV	The portfolio's overweight position in global beverage manufacturer and distributor Heineken (Netherlands) detracted from relative returns during the period. Although the company reported in-line beer volume growth for the third quarter, management lowered its earnings before interest and taxes (EBIT) full-year guidance, which weighed on the stock.	-0.3
	Nestle SA	The portfolio's overweight position in global food company Nestle (Switzerland) weighed on relative performance. The stock came under pressure as the company reported quarterly sales results that were slightly below expectations, primarily due to a slowdown in organic sales growth. The company also announced a lower-than-expected share buyback program over the next few years, which further pressured the stock.	-0.3
<b>Financials</b>		An underweight position in Financials detracted from relative performance as the sector outperformed the broad market over the quarter.	-0.6
	Hiscox Ltd	The portfolio's position in insurance company Hiscox (United Kingdom) detracted from relative performance. The company reported a larger-than-expected impact from catastrophes, including Typhoons Faxai and Hagibis and Hurricane Dorian. Furthermore, lower-than-expected profitability of its retail business, driven by a reduction of fees and lower commission income, also weighed on the stock.	-0.2
<b>Individual stocks</b>	Temenos Ag	An overweight position in banking software systems developer Temenos Group (Switzerland) held back relative performance. The stock declined after the company reported disappointing software license sales and revenues in the Middle East & Africa region.	-0.2
	Compass Group	The portfolio's overweight position in food catering company Compass Group (United Kingdom) hindered relative performance. The company reduced its earnings and outlook, following a worse-than-expected impact from foreign exchange and higher tax charges. Additionally, negative like-for-like volume growth in Europe pressured the stock's overall results.	-0.2

## Significant Impacts on Performance - Contributors



Relative to MSCI Europe Index (EUR) - fourth quarter 2019		Relative contribution (%)
<b>Information Technology</b>	An overweight position in Information Technology contributed to relative performance as the sector outperformed the broad market over the quarter.	1.0
	Aveva Group Plc The timing of the portfolio's ownership in shares of engineering and information management software provider AVEVA Group (United Kingdom) benefited relative returns. Company management reported solid organic revenue growth across all business segments and regions, owing to strong sales execution.	0.5
	Spectris PLC The portfolio's position in measuring instruments and controls manufacturer Spectris PLC (United Kingdom) contributed to relative performance. The stock advanced as the company delivered a strong trading update, driven by sales growth that was in line with market expectations against a challenging macroeconomic environment.	0.3
	Infineon Technologies Ag The portfolio's overweight position in semiconductor and system solutions provider Infineon Technologies (Germany) bolstered relative performance. The stock advanced after the company reported solid financial results for the fourth quarter, driven by strong sales growth, notably in the company's industrial power control and power management and multi-market segments.	0.2
<b>Industrials</b>	An overweight position in Industrials contributed to relative performance as the sector outperformed the broad market over the quarter.	0.6
	Spirax-Sarco Engineering Plc An overweight position in industrial and commercial steam systems developer Spirax-Sarco Engineering (United Kingdom) boosted relative results. The stock advanced as the company reported better-than-expected performance in its Steam Solutions division and stronger growth in its Watson-Marlow subsidiary business.	0.2
	Ryanair Holdings Plc The portfolio's position in discount airline operator Ryanair (Ireland) bolstered relative performance. The stock advanced as the company reported better-than-expected net income results for the quarter, driven by strong ancillary revenue and an improvement in unit costs.	0.2
	Schneider Electric SA An overweight position in shares of electrical distribution equipment manufacturer Schneider Electric (France) benefited relative performance. The stock advanced as management reported better-than-expected organic sales growth in the first quarter, with particular strength in the company's energy management business and the North American region.	0.2
<b>Individual stocks</b>	Flutter Entertainment PLC An overweight position in online betting and gaming operator Flutter Entertainment (United Kingdom) bolstered relative results. The stock advanced as the company reported mixed results for the quarter, driven by robust growth in Australia. Additionally, the company's acquisition of Stars Group appeared to have been well received by investors, which also helped the share price.	0.3

## Significant Transactions



From 01-Oct-19 to 31-Dec-19		Sector	Transaction type	Trade (%)	Ending weight (%)
<b>Purchases</b>	IBERDROLA SA	Utilities	New position	1.0	1.0
	WEIR GROUP PLC/THE	Industrials	New position	0.7	0.8
	FLUTTER ENTERTAINMENT PLC	Consumer Discretionary	Add	0.3	2.0
	SAP SE	Information Technology	Add	0.3	2.5
	AIB GROUP PLC	Financials	Add	0.3	0.7
<b>Sales</b>	GIVAUDAN SA	Materials	Trim	-0.8	3.9
	SYMRISE AG (EQ)	Materials	Trim	-0.7	2.3
	SPIRAX-SARCO ENGINEERING PLC	Industrials	Trim	-0.7	1.2
	LVMH MOET HENNESSY LOUIS VUITTON SE	Consumer Discretionary	Trim	-0.6	0.9
	TAG IMMOBILIEN AG	Real Estate	Trim	-0.6	0.8

# Sector Weights



As of 31-Dec-19	Portfolio (%)	Benchmark^ (%)	Underweight/ overweight (%)	Top holdings
Information Technology	16.9	6.0	10.9	Amadeus IT Group SA, Dassault Systemes SE, SAP SE
Consumer Staples	23.0	13.9	9.1	Nestle SA, Heineken NV, Henkel AG & Co KGaA IPS
Industrials	22.0	13.9	8.1	Schneider Electric SE, Legrand SA, SGS SA
Real Estate	6.7	1.4	5.3	Deutsche Wohnen SE, Vonovia SE
Materials	7.5	7.3	0.2	Givaudan SA, Symrise AG
Consumer Discretionary	9.7	10.0	-0.3	Compass Group PLC, Flutter Entertainment PLC, EssilorLuxottica SA
Utilities	1.0	4.4	-3.4	Iberdrola SA
Communication Services	-	4.3	-4.3	
Energy	-	6.7	-6.7	
Financials	7.9	18.0	-10.1	UBS Group AG, Hiscox Ltd, Beazley PLC
Health Care	3.6	13.8	-10.2	Novo Nordisk AS

^ MSCI Europe Index

1.7% Cash & cash equivalents

-0.1% Other. Other consists of: (i) currency derivatives and/or (ii) any derivative offsets.

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# Country Weights



As of 31-Dec-19	Portfolio (%)	Benchmark^ (%)	Underweight/overweight (%)
Germany	20.8	13.7	7.1
Switzerland	20.4	14.8	5.6
Ireland	3.7	0.9	2.8
United States	1.0	0.0	1.0
Israel	0.9	0.0	0.9
Denmark	3.3	2.9	0.4
France	18.1	18.1	0.0
Hong Kong	0.0	0.0	0.0
Spain	4.2	4.5	-0.3
Finland	0.4	1.5	-1.1
Netherlands	3.8	6.2	-2.4
Sweden	1.0	4.2	-3.2
United Kingdom	20.9	26.2	-5.3

^ MSCI Europe Index

1.7% Cash & cash equivalents

-0.1% Other. Other consists of: (i) currency derivatives and/or (ii) any derivative offsets.

The portfolio does not own any securities in countries represented in the benchmark in the following percentages: Italy 3.7%; Belgium 1.6%; Norway 1.0% and 2 countries with weights less than 0.5% which totals to 0.6%.

# Characteristics



As of 31-Dec-19	Portfolio	Benchmark <sup>^</sup>
<b>Fundamentals - weighted average</b>		
Price/earnings (12 months forward ex-negative earnings)	21.3x	14.6x
Dividend yield	2.0%	3.5%
IBES long-term EPS growth <sup>1</sup>	8.3%	8.1%
Return on equity (3-year average)	19.5%	17.3%
Long term debt/capital	32.6%	37.6%
<b>Market capitalisation</b>		
Market capitalisation (EUR) <sup>2</sup>	54.4 bn	73.8 bn
<b>Diversification</b>		
Top ten holdings	34%	18%
Number of holdings	62	437
<b>Turnover</b>		
Trailing 1 year turnover <sup>3</sup>	16%	–
<b>Risk profile (current)</b>		
Barra predicted tracking error <sup>4</sup>	3.94%	–
Active share	80%	–
<b>Risk/reward (5 year)</b>		
Information ratio	0.50	–
Standard deviation	11.04%	12.39%
Beta vs benchmark	0.78	–

Top 10 issuers as of 31-Dec-19	Portfolio (%)	Benchmark <sup>^</sup> (%)
NESTLE SA	6.4	3.4
GIVAUDAN SA	3.9	0.3
SCHNEIDER ELECTRIC SE	3.3	0.6
AMADEUS IT GROUP SA	3.2	0.4
HEINEKEN NV	3.0	0.3
HENKEL AG & CO KGAA	3.0	0.3
LEGRAND SA	2.9	0.2
DEUTSCHE WOHNEN SE	2.7	0.2
PERNOD RICARD SA	2.7	0.4
NOVO NORDISK A/S	2.6	1.1
<b>Total</b>	<b>33.7</b>	<b>7.2</b>

<sup>^</sup> MSCI Europe Index

**Past performance is not a reliable indicator for future results. No forecasts can be guaranteed.**

<sup>1</sup> Source: Ibbotson

<sup>2</sup> Weighted average.

<sup>3</sup> US methodology (Lesser of Purchase or Sales)/Average Month End Market Value; LUX methodology ((Purchases + Sales) - (Subscriptions + Redemptions))/Average Month End Assets: -37%

<sup>4</sup> Source Barra. The Barra information may not be redistributed, may not be reproduced or disseminated in any form and may not be used to create any financial instruments or products or any indices. The Barra information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. Barra, each of its affiliates and each other person involved in or related to compiling, computing or creating any Barra information (collectively, the "Barra Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any Barra Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages.



# Portfolio Outlook and Positioning



Positive fourth quarter performance rounded out a strong year for European equities, aided late in the period by improving data as Eurozone manufacturing PMIs, consumer sentiment and employment data trended upwards. In December, European Central Bank (ECB) President Christine Lagarde presided over her first press conference, delivering a message of policy continuity with her predecessor; forward guidance was maintained and the ECB remains keen on greater fiscal support from Eurozone governments.

Central banks played a significant role this year, pumping additional liquidity into the system, with more than 20 central banks cutting interest rates in 2019. The ECB was the first to restart its monthly quantitative easing bond purchases and pushed rates further into negative territory. Whether the extraordinary monetary policy will have its intended impact of generating inflation or will have reached the limits of its efficacy remains to be seen. Ultimately, we believe that the material fundamental characteristics of the businesses we own, their customer value proposition, pricing power and management's effectiveness at deploying capital above the cost of capital will separate the long-term winners from losers.

In addition to dovish central bank action, a reduction in geopolitical risks supported equities as the postponement of long-threatened US tariffs on European auto exports provided welcome relief, particularly for German manufacturers. An agreement on the 'phase one' trade deal avoided additional 15% US tariffs on Chinese imports, whilst reducing some existing tariffs, committing China to purchasing more US agricultural and energy exports and addressing disputes over intellectual property rights. Given Europe's export-orientated economy, reductions in tariffs between the two global trading partners and support for more trade activity was well received and broadly supportive for equities.

In the UK, the third poll in five years returned a Conservative government with an unexpectedly large majority, removing the threat of nationalisation to key industries under a Corbyn Labour government. Domestically exposed equities rallied on the result, as did sterling, before returning to its pre-election levels, as markets realised that the UK would be leaving the EU on January 31, without a transition period extension beyond the end of 2020. The Bank of England left rates unchanged, awaiting a clearer picture on how businesses and consumers will respond to the latest developments, leaving it to Mark Carney's successor, former head of the FCA Andrew Bailey, to plot a policy course in the new year.

Despite the current macroeconomic backdrop, we remain focused on deploying capital to durable, high-quality businesses at attractive valuations, while maintaining a long-term investment horizon.

# Portfolio Outlook and Positioning



Trading activity over the quarter included the initiation of three new positions:

- **Iberdrola**, a Spain-based multinational electric utility company with activities including power generation and transmission and distribution as well as gas distribution and supply. The company operates in a number of countries including Spain, UK, Brazil, Mexico, US. We believe this is a well-run company with a strong franchise — a balanced portfolio of networks and renewables assets, with growth pipelines, and the stock was attractively valued.
- **Weir Group**, a UK-based company which provides engineering equipment, services and support to various customers in the minerals, oil and gas and power markets. The company produces high quality pumps for minerals processing and oil & gas industries where they have market leadership positions. Around two-thirds of their sales is aftermarket so it is less exposed to commodity price swings, and the risk-reward tradeoff appears favourable, in our view.
- **Knorr-Bremse**, a Germany-based company that manufactures braking systems for rail and commercial vehicles. The company has a leading market position with high barriers to entry, strong customer retention, potential for growth and reasonable valuation, we believe.

Other activity during the period included additions to some of our existing holdings based on attractive valuations or to build our position size, including **SAP, AIB Group, Richemont** and **Adidas**.

We exited our position in one name during the quarter:

- **Geberit**, a Switzerland-based provider of sanitary products and systems for the residential, commercial, new construction and renovation markets. We decided to eliminate our small position in the name based on lower conviction in the company's longer term prospects and valuation.

We also trimmed some of the existing positions due to extended valuations or in order to manage position size, including **Givaudan, Symrise, Spirax-Sarco** and **LVMH**.

The investment team takes a bottom-up fundamental approach to investing. Sector positioning is thus an output of stock selection.

## Portfolio Outlook and Positioning



Looking across the portfolio, we continued to maintain a relative overweight position in the consumer staples sector. In absolute terms our sector weighting has come down from the prior quarter. We were cognizant that some of the names we held had performed very strongly and that valuations had started to look extended. We trimmed and rotated into stocks that we believe have the quality and durability characteristics that we like, yet the market has failed to recognise.

While our emphasis on quality businesses is reflected across all sectors, it is a particularly important driver of our overweight position in information technology (IT). In the IT sector, we continued to favour companies that we believe offer unique technological advantages or are key players in niche markets.

The portfolio remained underweight to financials, the largest sector in the benchmark. Within the sector, we preferred more diversified financial companies to major banks. We believe that the banking industry remains strategically challenged, due to ongoing issues surrounding sovereign debt, a low-interest-rate environment, regulatory challenges and the requirement for capital replenishment.

While we maintained an underweight to the health care sector, we have exposure to select companies that we believe have sustainable, long-term drivers of growth and attractive valuations. Generally, we remain concerned about the overall valuation level of the health care sector, its strong dependence on a small number of blockbuster drugs, the threat from generics and pricing risks, particularly in the United States.

We remained underweight companies in the energy sector whose earnings are very dependent on the level of volatility in commodity prices.

Applying our principles of fundamental research and keeping a keen eye on valuation, the European Value equity investment team continues to focus on investing in companies with sustainable above-average returns whose quality and intrinsic value, we believe, are not fully reflected in their valuation.

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-19	Country	Equivalent exposure (%)
<b>Cash &amp; Cash Equivalents</b>		<b>1.7</b>
Cash & Cash Equivalents		1.7
<b>Consumer Discretionary</b>		<b>9.7</b>
Compass Group PLC	United Kingdom	2.2
Flutter Entertainment PLC	Ireland	2.0
EssilorLuxottica SA	France	1.6
Cie Financiere Richemont SA	Switzerland	1.6
adidas AG	Germany	1.4
LVMH Moet Hennessy Louis Vuitton SE	France	0.9
Esprit Holdings Ltd	Hong Kong	0.0
<b>Consumer Staples</b>		<b>23.0</b>
Nestle SA	Switzerland	6.4
Heineken NV	Netherlands	3.0
Henkel AG & Co KGaA IPS	Germany	3.0
Pernod Ricard SA	France	2.7
Diageo PLC	United Kingdom	2.5
Danone SA	France	2.1
L'Oreal SA	France	2.0
Beiersdorf AG	Germany	1.0
Lindt & Spruengli AG	Switzerland	0.3
<b>Financials</b>		<b>7.9</b>
UBS Group AG	Switzerland	1.5
Hiscox Ltd	United Kingdom	1.2
Beazley PLC	United Kingdom	1.1
Aon PLC	United States	1.0
Svenska Handelsbanken AB	Sweden	1.0
Julius Baer Group Ltd	Switzerland	0.8
AIB Group PLC	Ireland	0.7
Jyske Bank AS	Denmark	0.4
Sydbank AS	Denmark	0.3
<b>Health Care</b>		<b>3.6</b>
Novo Nordisk AS	Denmark	2.6
Smith & Nephew PLC	United Kingdom	1.0

As of 31-Dec-19	Country	Equivalent exposure (%)
<b>Industrials</b>		<b>22.0</b>
Schneider Electric SE	France	3.3
Legrand SA	France	2.9
SGS SA	Switzerland	2.2
Schindler Holding AG	Switzerland	1.6
Intertek Group PLC	United Kingdom	1.4
Experian PLC	United Kingdom	1.3
RELX PLC	United Kingdom	1.2
Spirax-Sarco Engineering PLC	United Kingdom	1.2
GEA Group AG	Germany	1.1
Brenntag AG	Germany	1.1
Smiths Group PLC	United Kingdom	1.1
Ryanair Holdings PLC ADR	Ireland	1.0
Weir Group PLC	United Kingdom	0.8
Aalberts NV	Netherlands	0.7
Rentokil Initial PLC	United Kingdom	0.7
Wartsila OYJ Abp	Finland	0.4
Knorr-Bremse AG	Germany	0.1
<b>Information Technology</b>		<b>16.9</b>
Amadeus IT Group SA	Spain	3.2
Dassault Systemes SE	France	2.6
SAP SE	Germany	2.5
AVEVA Group PLC	United Kingdom	2.4
Spectris PLC	United Kingdom	1.7
Temenos AG	Switzerland	1.6
Infineon Technologies AG	Germany	1.5
Check Point Software Technologies Ltd	Israel	0.9
Halma PLC	United Kingdom	0.6
<b>Materials</b>		<b>7.5</b>
Givaudan SA	Switzerland	3.9
Symrise AG	Germany	2.3
Croda International PLC	United Kingdom	0.8
Sika AG	Switzerland	0.6

## Portfolio Holdings



As of 31-Dec-19	Country	Equivalent exposure (%)
<b>Other</b>		<b>-0.1</b>
Other*		-0.1
<b>Real Estate</b>		<b>6.7</b>
Deutsche Wohnen SE	Germany	2.7
Vonovia SE	Germany	2.3
LEG Immobilien AG	Germany	0.9
TAG Immobilien AG	Germany	0.8
<b>Utilities</b>		<b>1.0</b>
Iberdrola SA	Spain	1.0

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

\* Short positions, unlike long positions, lose value if the underlying asset gains value.

## Fund Regulatory Details

**See the fund's offering documents for more details, including information on fund risks and expenses.** For additional information, call **Latin America:** 416.506.8418 in Toronto or 352.46.40.10.600 in Luxembourg. **European Union:** MFS International (U.K.) Ltd., One Carter Lane, London, EC4V 5ER UK. Tel: 44 (0)20 7429 7200. **Switzerland:** Carnegie Fund Services S.A., 11 rue du General-Dufour, 1204 Geneva, Switzerland. Tel: 41.22.705.1177. **Hong Kong:** State Street Trust (HK) Limited, 68th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. Tel: 852.2840.5388. **Taiwan:** Master Agent: PineBridge Investments Consulting Taiwan Limited, 10th floor, 144 Minchuan E. Rd., Section 2, Taipei 10436, Taiwan Tel: 886.2.2516.7676

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