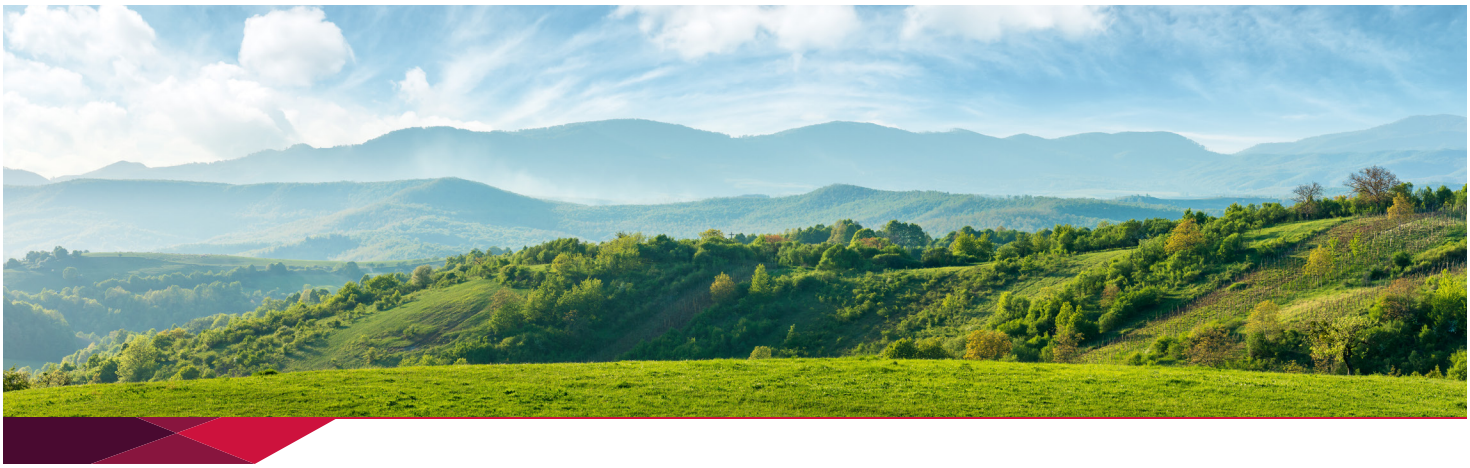
Spring 2026

MFS® Commentary



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Investment Insight

Key Themes to Watch This Year

With the first quarter of 2026 behind us, let's take stock of the financial trends that could impact the rest of the year. The MFS Market Insights team has identified key themes that are likely to influence the markets and the economy and shape investing through the end of the year. Here's a quick look at what we see on the horizon and what it could mean for you.

Economic Growth

Governments and global central banks are determined to promote growth this year. From the US to Europe to Japan, we're seeing supportive fiscal and monetary policies. Look for opportunities in industries that benefit from increased spending and countries actively working to stimulate their economies.

Geopolitical Uncertainty

Global geopolitics were complicated in 2025, and they will likely remain so this year. US–China relations (and expected decoupling), the Russia–Ukraine war, and ongoing conflicts in the Middle East are having a lasting effect on the world economy. This uncertainty could impact a number of sectors, including technology and manufacturing.

Global Diversification

In 2025, international equities outperformed those in the US for the first time in years, thanks to market volatility in the US and a weaker dollar. With the US facing similar challenges this year, including ongoing policy uncertainties (e.g., tariffs), there may be exciting opportunities for you to diversify your portfolio into global — and emerging — markets.

Artificial Intelligence

We can see the impact of AI everywhere — from software to manufacturing to day-to-day life — and it's growing exponentially. AI has huge potential across a number of industries, but with that opportunity comes the potential for risk, too. It's important to keep an eye on valuations, assess which companies are leveraging AI effectively, and pay attention to whether AI-impacted sectors are scaling sustainably.

For the latest news and views on world economies and financial markets, visit mfs.com

Mid-Cap Potential

People often focus on the big, flashy equities when thinking about where to invest. In 2026, however, mid-caps may offer a better entry point thanks to lower valuations and less concentration. Consider companies that fit the bill and are poised to benefit from the other trends we're seeing.

Corporate Credit

The Federal Reserve cut rates in 2025, and additional cuts are expected early this year. As interest rates come down, companies may find it easier to manage debt, strengthening their fundamentals. While private credit could still face challenges, this is good news overall for the economy and for potential investment opportunities.

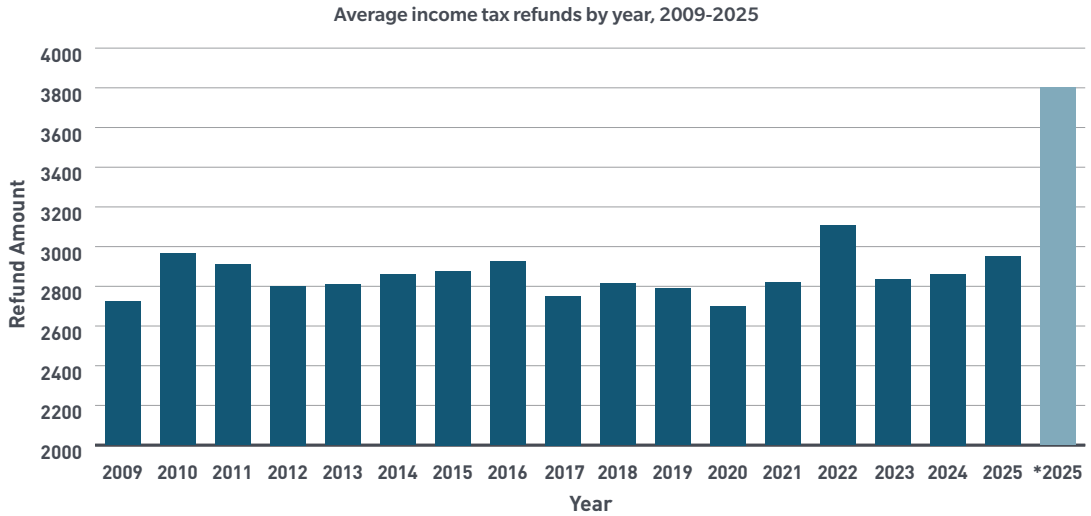
How the OBBBA Will Impact Your Tax Refund in 2026

Tax season is fast approaching — a time that often fills people with dread. This year, however, filing your taxes may come with a very pleasant upside. The One Big Beautiful Bill Act (OBBBA), which passed in early 2025, introduced several changes to the tax code that might boost refunds for millions of taxpayers. Key effects of the OBBBA include higher deductions for state and local taxes, as well as new deductions for tip income, overtime pay, and even auto loan interest. The average refund is now predicted to reach close to $3,800 — an all-time high(1).

So, what can you do with the extra money? While a shopping spree or other big splurge is tempting, you might consider using the unexpected funds to bolster your finances. If you have credit card debt, particularly if it's high interest, you could pay down your balance. You might also create or add to an emergency savings fund, a safety net for unexpected expenses. On the other hand, if you feel your finances are already in good shape, you could consider investing the extra money to help work towards some of your longer-term financial goals.

And of course, if you've been putting off a big purchase or planning a trip, this could be the perfect opportunity to treat yourself — responsibly. Whatever you choose, this year's refund might be an unexpected chance to make progress toward your financial goals.

Increased Income Tax Refunds Expectations



Source: Irs.gov (https://www.irs.gov/newsroom/filing-season-statistics-by-year) (*estimated $3,800 for the year)

"Spring Cleaning" Your Portfolio

With winter behind us, now is the perfect time to give your financial portfolio a little "spring cleaning." Just like tidying up your home, reviewing and refreshing your finances can help you stay on track with your goals. Here are four easy steps to help ensure you're in great financial shape for the year ahead:

1. Get organized

Do you have all of your important financial documents sorted and in a secure location? This could include bank statements, pay stubs, investment statements, health insurance documentation, and anything else that might create a complete picture of your financial health. Getting organized will not only help you take stock of where you are financially, filing everything will also help declutter your space. And as a bonus, taking this step might help you prep for tax season!

2. Review your portfolio vs. your goals

You probably have financial goals for the future: college planning, buying a house, and even your eventual retirement. How are you progressing against those goals? Did you save more or less than expected in 2025? How did your investments do? These kinds of questions can help you determine whether you need to make any adjustments going forward.

3. Look to the future

There are always more expenses that will come up, and more purchases to make. Can you plan ahead for what the next few years will bring? What about the next 10 years? Maybe your kids will be getting married or having kids by then — do you have funds set aside for the wedding? Or for gifting to future grandkids? On the other hand, maybe you have accounts or investments that you're ready to close or reallocate to better suit your future needs.

4. Talk to your financial advisor

You've taken stock of your finances, your assets, and your goals. You have your documentation sorted and filed. The final step is to sit down with your financial advisor or investment professional. Your risk tolerance might have changed due to life events, or maybe you hit a big life goal last year and want to work toward something new. Your financial advisor can help you determine whether you should allocate any assets differently or whether you should consider new investment opportunities.

Asset Allocation: Staying Diversified and Balanced

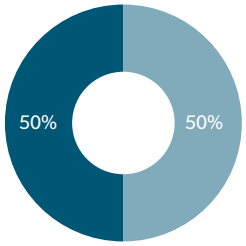
Once you've finished your financial "spring cleaning," it's all well and good to say that you might reallocate assets or rebalance your portfolio, but what does that mean in practical terms?

Asset allocation is the process of dividing your portfolio among different types of assets, such as stocks, bonds, and cash. Your financial advisor or investment professional has likely talked to you about staying diversified — i.e., spreading your investments across multiple asset types, or, put more simply, not putting all of your eggs in one basket. If you invest solely in stocks, what happens when the market takes a sudden downturn? That's why keeping a diversified portfolio matters. What's equally important, however, is keeping your portfolio balanced, and periodically rebalancing as needed.

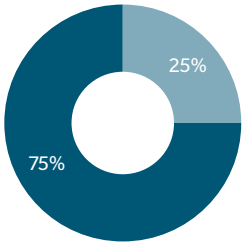
Picture the following scenario: 10 years ago, you decided to save for retirement, starting with a 50/50 balance of stocks and bonds. In the intervening years, those stocks performed much better than the bonds, causing your portfolio balance to swing heavily to one side. You now have considerably more money in stocks than in bonds. Now consider the exhibit below: while the stock market performed well over the last 10 years, what if on January 4, 2025, it takes a sudden downturn, and you haven't rebalanced your portfolio? You could actually end up losing more money than you originally invested.

Rebalance to Maintain Your Portfolio's Desired Allocation

Stocks outperformed bonds[1]
1/1/15–12/31/24 market activity



Original allocation balanced on 1/1/15



Unbalanced on 12/31/24

Too risky: Without rebalancing, this hypothetical portfolio could lose more than the original portfolio if stocks fall.

[1]Time period above, reflecting a strong stock market, is based on the performance of the S&P 500 Index, which measures the broad US stock market. Index performance does not reflect the deduction of any investment-related fees and expenses. It is not possible to invest directly in an index. **Past performance is no guarantee of future results.**

When it comes to asset allocation, diversification and rebalancing are two sides of the same coin — different, but equally important. Keeping a close eye on your asset allocation and balance over time can help you better prepare for any future market changes.

[1] Investopedia, "Average Credit Card Interest Rate for January 2025: 24.37% APR," January 12, 2025.

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