



10 Principles of Long-Term Investing Resilience

Powering through the ups and downs





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It's hard to stay calm when you're bombarded by news about the economy and markets. Anxiety about your portfolio can creep in, and before you know it, a media barrage may turn your anxiety into panic. And if that's not enough, investing has become more complex, pushing investors to take on more risk to achieve the same return of 10 or 20 years ago.* So how do you keep calm when market volatility heats up? By considering the 10 Principles of Long-Term Investing With Resilience.

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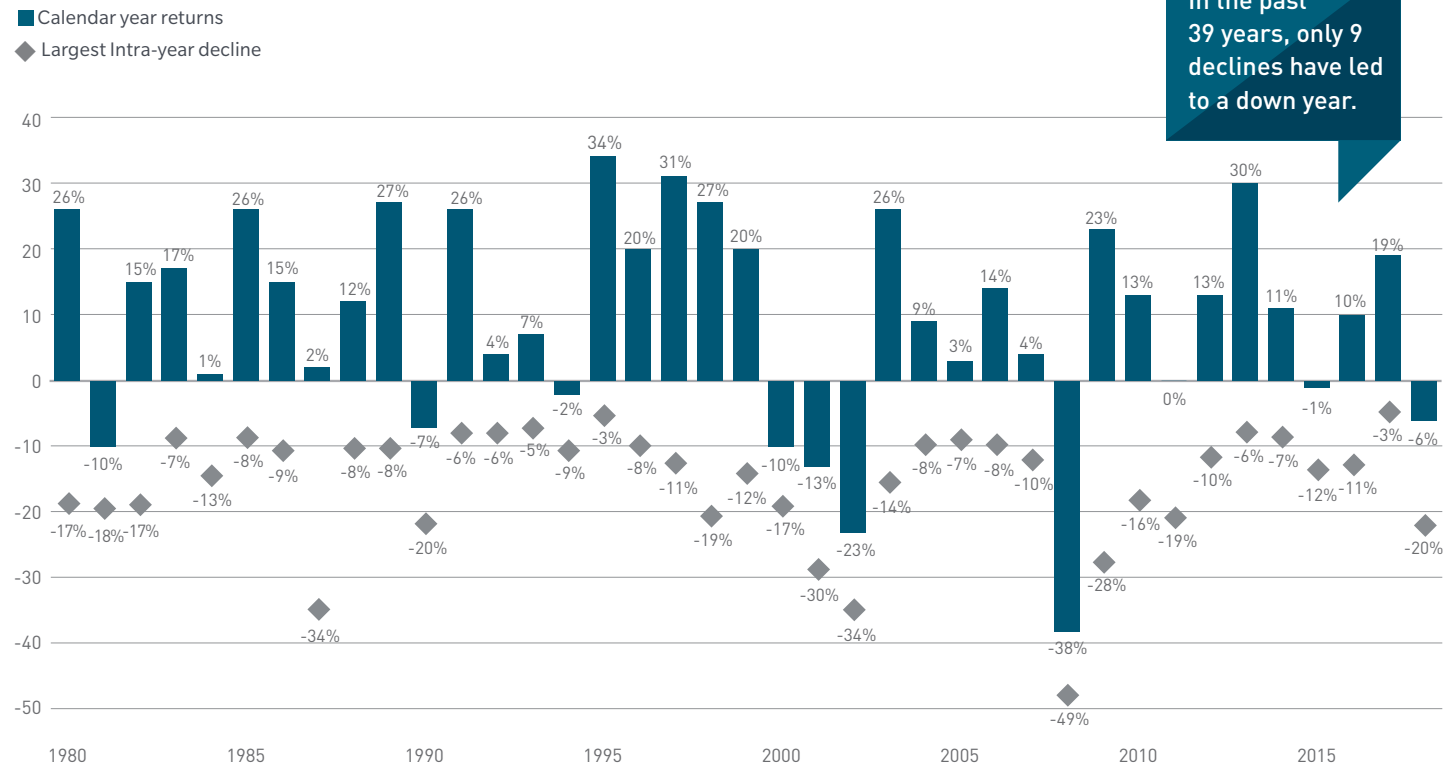
* Source: Wilshire Analytics. Hypothetical portfolios were created using historical index risk, return and correlations to achieve a 7.5% total return. Portfolios rebalanced monthly. All dates are as of December 31, 2017. Risk is measured by standard deviation.

1 Understand Market Movements

Markets have been resilient: History has shown declines have not lasted.

Key points

- A selloff, a correction, a bear market. Whatever it's called, it can be unsettling; yet, market declines are inevitable and completely normal.
- Time after time, the stock market has recovered from the disruptive, but ultimately short-term, declines and has gone on to post gains.



Moving out of stocks potentially locks in losses and may prevent you from profiting from subsequent gains.

FactSet and S&P US. Daily data as of 31 December 1979 to 31 December 2018. Returns above are in US dollars and calculated based on the S&P 500 Price Return Index. **The S&P 500 Index** measures the broad US stock market. Largest Intra-year decline is the largest drawdown (peak-to-trough) within each calendar year. This data is not intended to represent the performance of any MFS Portfolio. It is not possible to invest in an index.

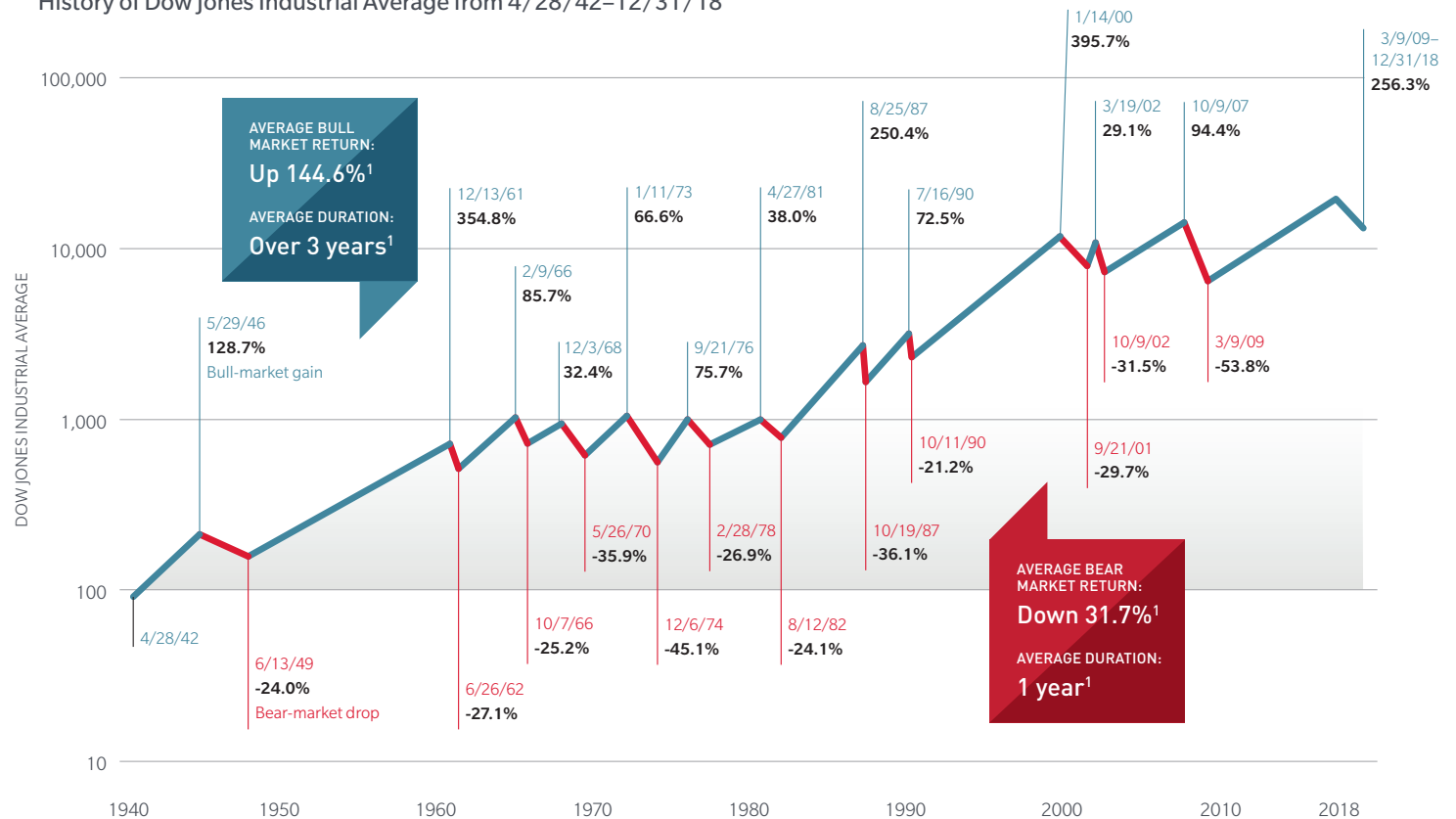
2 Volatility Is Normal

Historically, bull markets have beaten bears and driven long term gains.

Key points

- Markets are always moving — up, down and sideways. They rarely go straight up.
- Over time, stock markets have moved higher, bouncing back from ultimately short-term declines.
- And if you sell when the market falls, you'll likely miss a potential rebound and any subsequent gains, possibly falling short of your goals.

History of Dow Jones Industrial Average from 4/28/42–12/31/18



Investing for the long term and having a disciplined plan can help you work toward reaching your goals.

Source: SPAR, FactSet Research Systems Inc. **Past performance is no guarantee of future results.**

It is not possible to invest in an index.

¹ Dow Jones Industrial Average from 4/28/42–12/31/18. Returns are shown based on price only.

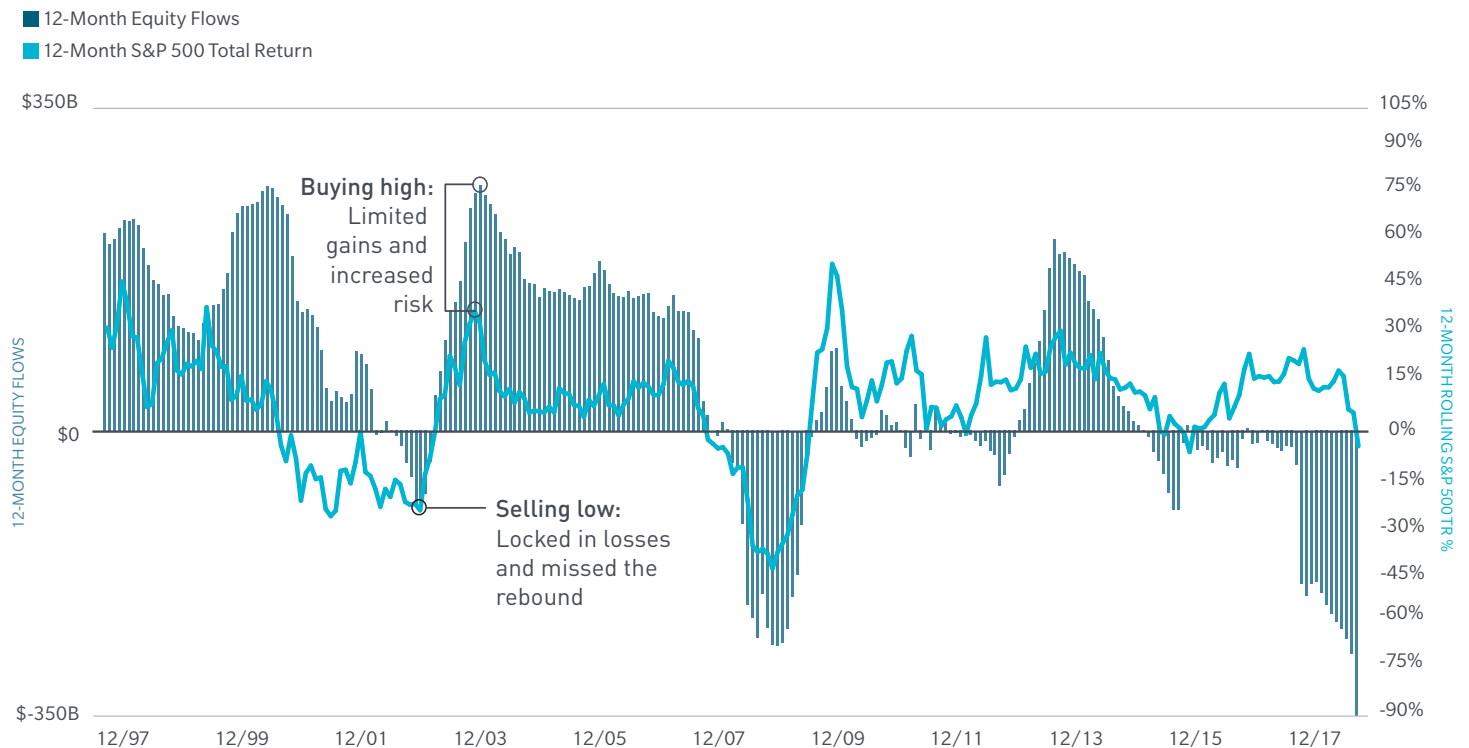
3 You Control Your Emotions and Behavior

Emotions may lead to buying high and selling low.

Key points

- Most investors have heard the phrase “buy low, sell high.”
- Unfortunately, emotions — anxiety during declines or excitement during rallies — often trigger buying when prices are high and selling when prices are low.
- Poor market timing — selling to avoid declines or buying after a rally — can lessen your portfolio’s long-term potential.
- When volatility hits, don’t let your emotions take over. Remember your financial plan and resist the urge to time the market.

Monthly flows for US stock mutual funds vs. stock market performance, 12/97–12/18



Investing for the long term and resisting the urge to time the market may be a better way to work toward your goals.

Data sources: Strategic Insight Simfund/TD; SPAR, FactSet Research Systems Inc. Index charts are for illustrative purposes only and not intended to represent future performance of any MFS® product. **Past performance is no guarantee of future results.**

The **S&P 500 (Total Return) Index** measures the broad U.S. stock market. Index performance does not include any investment-related fees or expenses. It is not possible to invest directly in an index. **The investments you choose should correspond to your financial needs, goals, and risk tolerance. For assistance in determining your financial situation, please consult a financial advisor.**

4 Take a Longer View

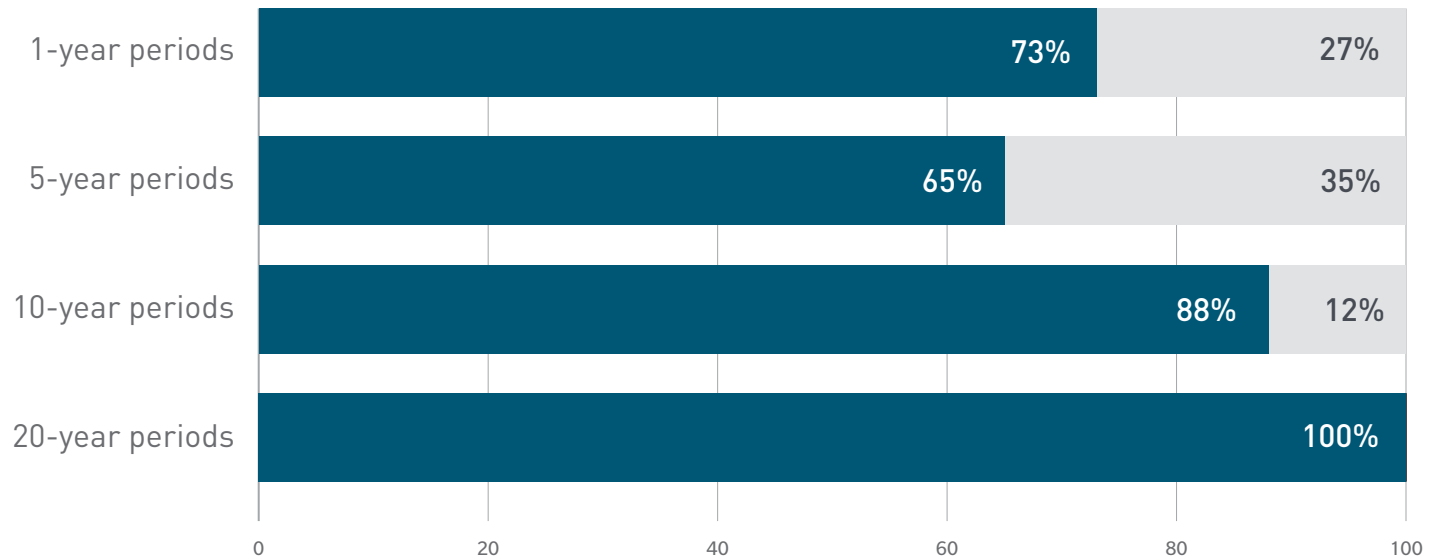
Building wealth takes time. Think long term.

Key points

- Historically, investing in stocks has been one of the best ways to build wealth, because of their long-term growth potential, relative to bonds and/or cash.
- Yet many investors under invest in stocks or try to time the market.
- In either case, investors could be missing opportunities.
- That's because over long periods of time, the stock market has historically generated positive returns.

Stocks have generated positive returns 100% of the time over 20-year periods, 1/1/50–12/31/18

■ % of time periods S&P 500 went up
■ % of time periods S&P 500 went down



As part of a well-balanced portfolio, consider stocks for their long-term growth potential.

The investments you choose should correspond to your financial needs, goals, and risk tolerance. For assistance in determining your financial situation, consult an investment professional.

Source: Factset. The historical performance of the index cited is provided to illustrate market trends; it does not represent the performance of a particular MFS® investment product. **The S&P 500 (Price Return) Index** is a commonly used measure of the broad stock market. Index performance does not take into account fees and expenses. It is not possible to invest directly in an index. **Past performance is no guarantee of future results.**

Common stocks generally provide an opportunity for more capital appreciation than fixed-income investments but have also been subject to greater market fluctuations. Keep in mind, all investments do not guarantee a profit or protect against a loss.

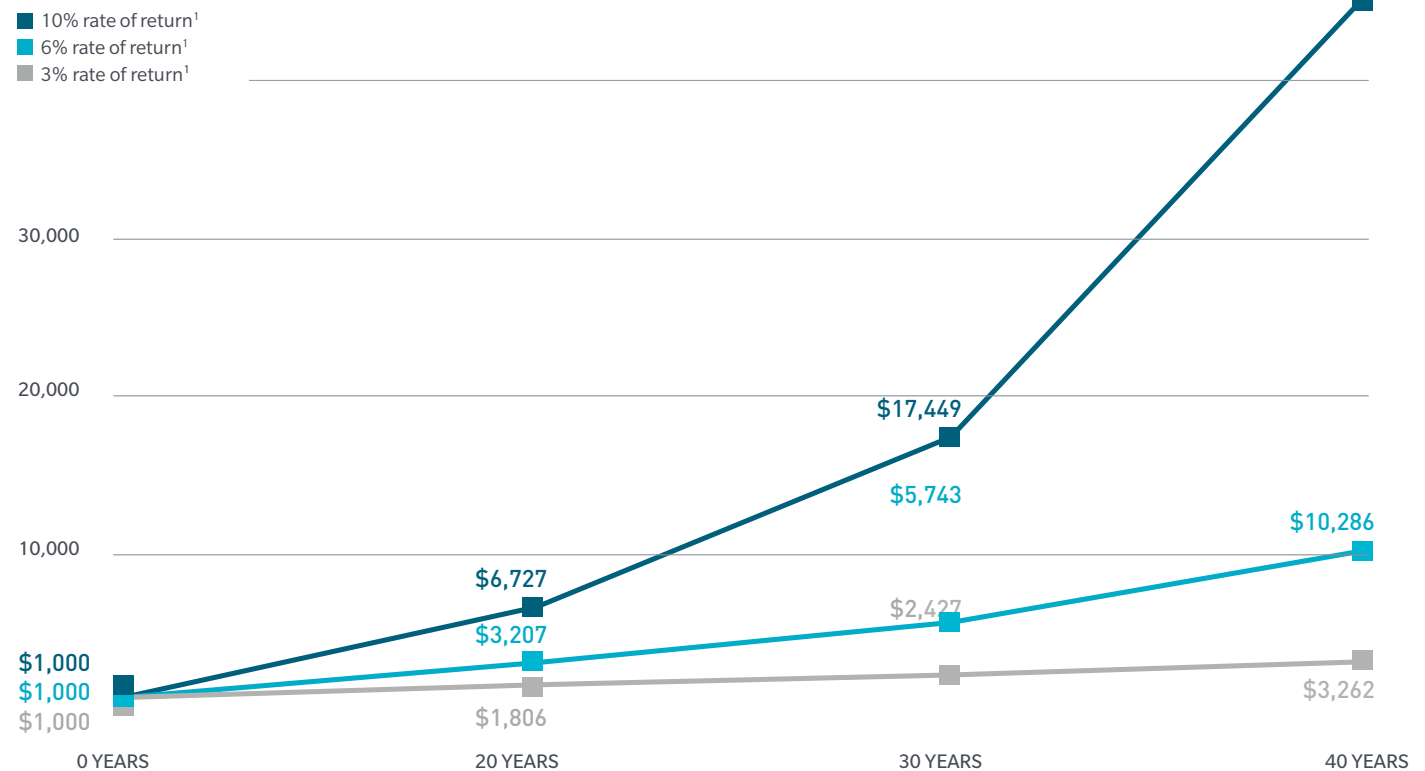
5 Compounding and How It Works

The power of compounding

Key points

- Compounding occurs when an asset's earnings, either gains or income, are reinvested to generate additional earnings.
- Compounding of gains and income over the long term is what typically drives most of the value in an investment or portfolio.
- Conservative investments like Treasury bills or even bonds may not provide the growth potential needed to achieve goals.
- Despite higher volatility, a more aggressive investment, like stocks, may provide the growth potential needed to pursue goals.

Hypothetical \$1,000 investment with compounded yearly returns



Differences in performance between stocks, bond and cash can add up to bigger differences over time.

Source: thecalculatorsite.com. This example is for illustrative purposes only and is not intended to predict the returns of any investment choices. Regular investing does not ensure a profit or protect against loss in declining markets. Investors should consider their ability to continue purchasing shares during periods of low price levels.

¹ Assumed rate of return. Does not represent the performance of any MFS fund, which would vary according to the rise and the fall of the markets. It is not realistic that the stock market or any investment vehicle will have 20 or more years of positive returns. These examples are for illustrative purposes only and are not intended to predict the returns of any investment choices. Rates of return will vary over time, particularly for long-term investments. There is no guarantee the selected rate of return can be achieved. The performance of the investments will fluctuate with market conditions.






6 Diversification Benefits

Advisor vs. client perception of diversification

Key points

- Diversification spreads your investments between asset classes that perform differently. Potentially, strength in one asset can offset weakness in another.
- In down markets, diversification may help your portfolio lose less value than the market. In up markets, diversification can help your portfolio take part in market gains.
- Rather than focusing on the short term, a look at long-term performance shows how diversification can help your portfolio navigate volatility and potentially get you closer to your goals.

Putting portfolio performance into perspective beyond the S&P 500

| YEARS | S&P 500 (TOTAL RETURN) INDEX | DIVERSIFIED PORTFOLIO | ADVISOR | CLIENT | |
|------------------------|---------------------------------|--------------------------|---------------------------------------|--|---|
| 2000-2002 | -37.6% | -14.03% | "You were down less than the S&P 500" | "I still lost money" |  |
| 2003-2007 | +82.9% | +57.51% | "You participated in market gains" | "I didn't gain as much as the S&P 500" |  |
| 2008-2008 | -37.0% | -22.06% | "You were down less than the S&P 500" | "I still lost money" |  |
| 2009-2018 | +243% | +146% | "You participated in market gains" | "I didn't gain as much as the S&P 500" |  |
| TOTAL RETURN 2000-2018 | +147% | +160% | "Diversification can work" | "Wow, diversification can work!" |  |

While you may feel like you're falling behind, by potentially managing losses and adding value, diversification may help you stay on track with your goals.

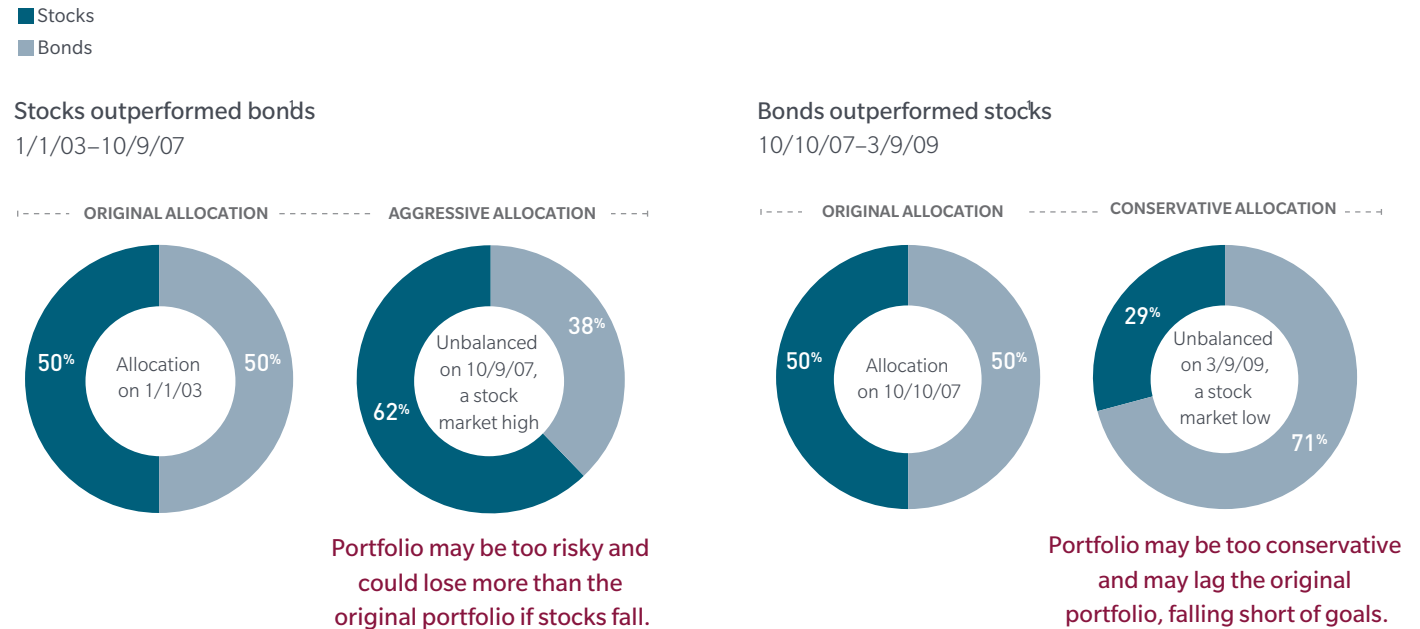
Source: Factset/Spar as of 12/31/18. **Past performance does not guarantee or indicate future results.** Diversified Portfolio is represented by 60% S&P 500 Total Return Index and 40% in the Bloomberg Barclays US Aggregate Bond Index and is rebalanced monthly. Index performance is for illustrative purposes only. You can not invest directly in the index. All returns shown are cumulative.

7 Investments Should Align With Your Goals

Don't make unintended bets. Consider rebalancing your portfolio.

Key points

- Market performance between asset classes shift over time, which may alter your portfolio's mix of investments.
- For instance, if stocks outperform bonds, your allocation to stocks grows, potentially increasing risk.
- Conversely, if bonds outperform stocks and your allocation to stocks shrinks, you may miss out on potential growth.



Rebalancing may help your portfolio stay in line with your goals and risk tolerance.

¹ Time periods above, reflecting a strong stock market and a strong bond market, respectively, are based on performance of the following indices: Stocks are represented by the S&P 500 Index, which measures the broad US stock market. Bonds are represented by the Bloomberg Barclays U.S. Aggregate Bond Index. 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.

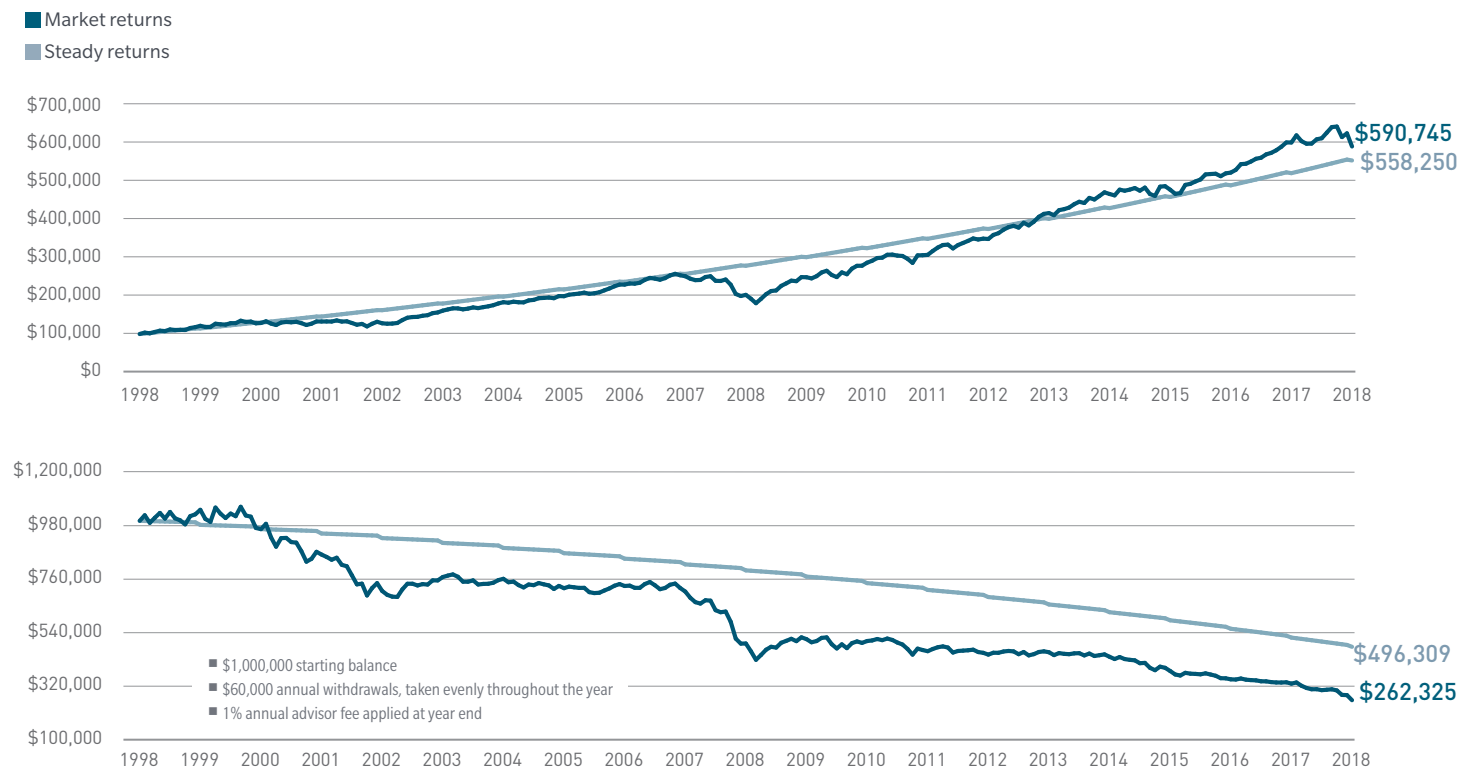
8 Importance of Proper Allocation

Understand when volatility may or may NOT benefit your portfolio

Key points

- Your allocation — mix of stocks, bonds and cash — should change over time.
- In your 20s, 30s or 40s, you want your savings to grow. Having a larger allocation to stocks versus bonds historically has helped portfolios grow.
- When you're retired, volatility can hurt your portfolio.
- When you are making withdrawals, a declining balance can mean less opportunity for compounding.

Hypothetical 60/40 US portfolio based on historical returns: Market versus steady



Consider shifting your asset allocation as you approach retirement.

This analysis is provided for illustrative and hypothetical purposes only. It is not possible to invest directly in an index or blended of indices.

Source: FactSet, S&P US and Bloomberg Barclays. Data as of 31 December 1998 to 31 December 2018. Each portfolio is a 60% S&P 500 Total Return Index and 40% Bloomberg Barclays US Aggregate Index blend, rebalanced monthly. A 1% advisor fee was applied to the account balance in December, net of returns and gross of the month-end contribution. Returns are in US dollars. The starting balance of the portfolio is \$100,000 with annual contributions of \$10,000, spread out evenly and contributed at the end of each month. The Steady Returns portfolio uses the monthly return that would need to be compounded to get to the cumulative portfolio return for the entire 20-year timeframe. Market Returns are for the blended portfolio using actual, historical returns.

9 Understanding Risk is Critical

Determining the risk in your portfolio may make the difference when reaching your goals.

Key points

- While you can't avoid risk, by understanding the nature of risk, you may be able to manage it.
- One aspect to think about is how your asset manager tackles risk.
- At MFS, we've had a singular purpose since 1924: to put your money to work, responsibly.
- One of the ways we do that is through risk management.

MFS: Navigating risk from all angles.



At MFS, we believe managing the downside is just as important as capturing the upside.

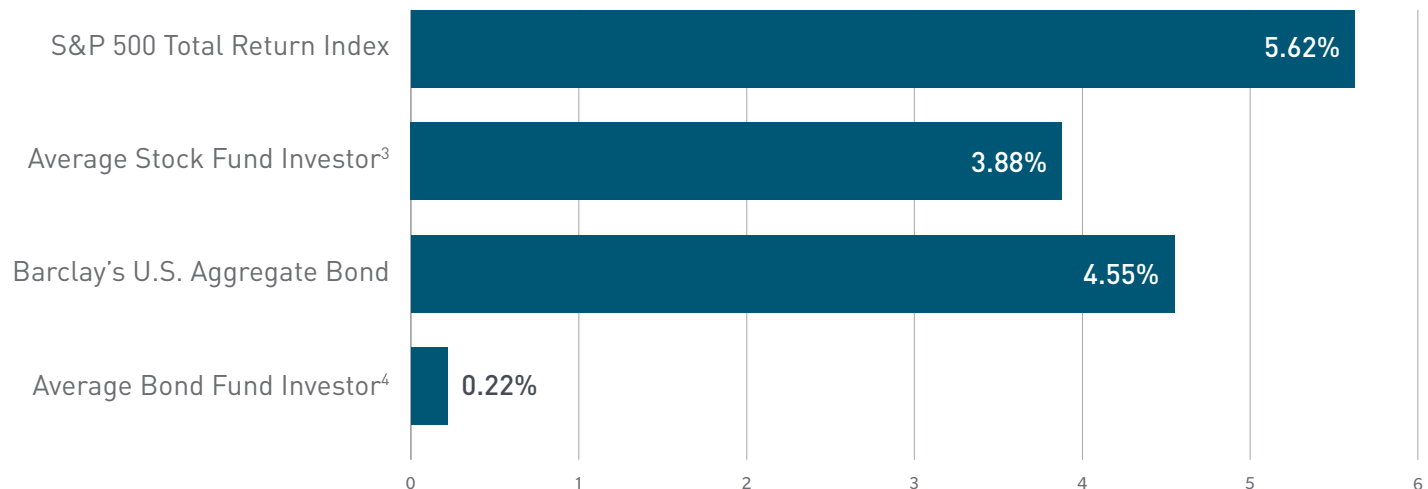
10 Realize the Benefits of Working With a Professional

Key points

- An advisor can help you determine your overall comfort level with risk.
- Allocate, diversify and rebalance your assets accordingly
- Review your overall investment portfolio, at least annually, to help keep you focused and on course with your goals
- Choose investments aligned with your goals and risk tolerances and help you stay focused and on track as markets shift

The average investor underperformed¹

Market returns vs. average investor returns, 1999-2018²



Source: Dalbar, 2019 QAIB Report, as of December 31, 2018.

This example is for illustrative purposes only and are not intended to represent the future performance of any MFS[®] product. Although the data is gathered from sources believed to be reliable, MFS cannot guarantee the accuracy and/or completeness of the information.

The S&P 500 Total Return Index measures the broad US stock market. **Bloomberg Barclays U.S. Aggregate Bond Index** measures the U.S. bond market.

Past performance is no guarantee of future results. Keep in mind that all investments carry a certain amount of risk, including the possible loss of the principal amount invested.

A financial advisor will help you create a suitable financial strategy for pursuing your long term financial goals.

¹ The Average Investor refers to the universe of all mutual funds investors whose actions and financial results are restated to represent a single investor. This approach allows the entire universe of mutual funds investors to be used as the statistical sample, ensuring ultimate reliability.

² Average investor return performance: Methodology: QAIB calculates investor returns as the change in assets, after excluding sales, redemptions, and exchanges. This method of calculation captures realized and unrealized capital gains, dividends, interest, trading costs, sales charges, fees, expenses and any other costs. After calculating investor returns in dollar terms, two percentages are calculated: total investor rate for the period and annualized investor return rate. Total return rate is determined by calculating the investor return dollars as a percentage of the net assets, sales, redemptions and exchanges for the period. Annualized return rate is calculated as the uniform rate that can be compounded annually for the period under consideration to produce the investor return dollars.

³ The Average Equity Fund Investor comprises a universe of both domestic and world equity mutual funds. It includes growth, sector, alternative strategy, value, blend emerging markets, global equity, international equity and regional equity.

⁴ The Average Fixed Income Investor is comprised of a universe of fixed income mutual funds, which includes investment-grade, high-yield, government, municipal, multisector, and global bond funds. It does not include money market funds.







When volatility strikes, it's hard to stay calm and focused on your long-term goals.
Rather than bailing out of the market, strike back with a plan for investing with resilience.

- Invest for the long term
- Allocate, diversify and rebalance
- Manage risk
- Look for an asset manager that aligns with your goals



Work with your financial advisor to develop your investment plan today.

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