U.S. Equity Market Update

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Agenda

- Economic Outlook
  - Expectations for U.S. growth, inflation, and interest rates
  - Three key questions:
    - Short-term: How quickly does the labor market recover?
    - Medium-term: What does the size of the output gap mean for inflation?
    - Long-term: What about the fiscal exit strategy?

- Market Outlook

Three key questions

- Short-term: How quickly does the labor market recover?
  - Labor participation critical to consumer health
  - Faster, stronger recovery in labor typically means a more robust & sustainable business expansion
  - Manufacturing, trade, and inventories enough to get the consumer back in the game while the fiscal "window of opportunity" is open?

- Medium-term: What does the size of the output gap mean for inflation?
  - Need to grow above potential to close output gap
  - Size of output gap/potential GDP determine how quickly we get inflation & how aggressively the Fed might need to raise rates

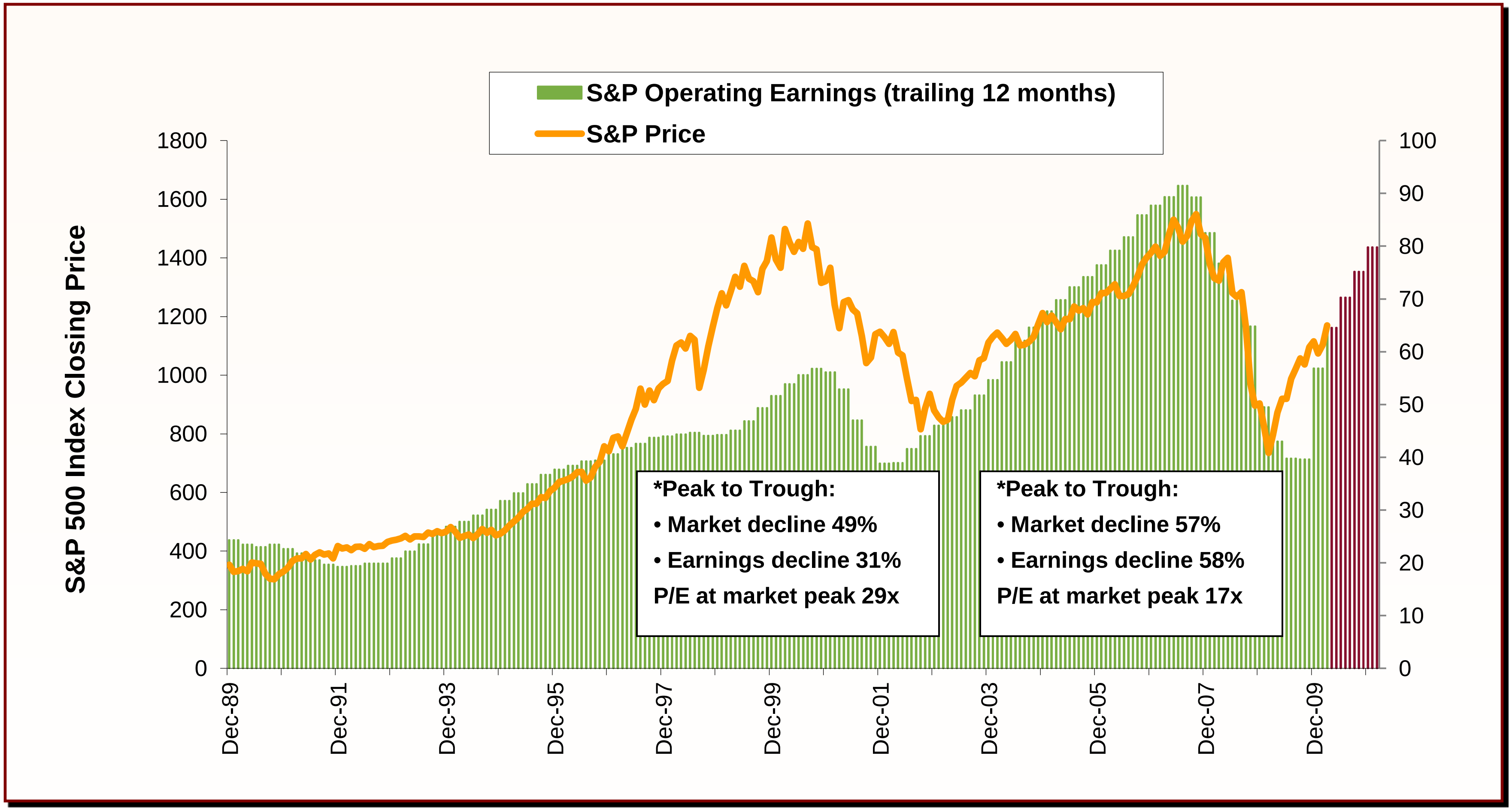
- Long-term: What about the fiscal exit strategy?
  - No clear pathway out yet

U.S. Equities

- Equity market recovery driven by significant earnings improvement off a depressed base.
  - earnings may continue to improve in 2010 albeit at a more moderate pace.
- Valuations appear closer to "fair value" today
  - Market has priced in the earnings recovery to some extent.
- Low quality/high beta rally in 2009 created opportunities for fundamental investors.
  - Transition from beta to alpha market in 2010

S&P 500 Earnings and Price

12/31/1989 – 3/31/2010

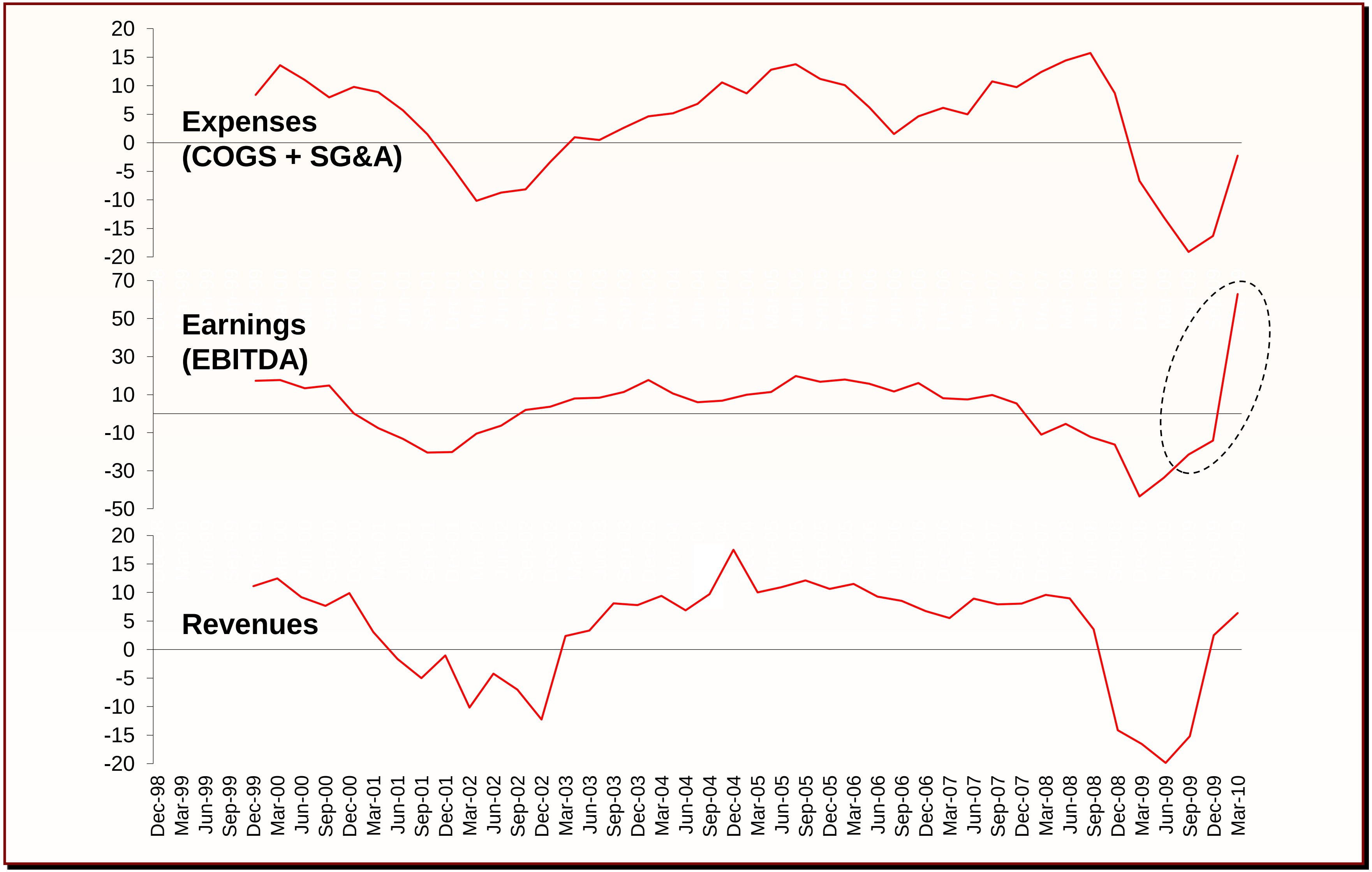


Source: S&P, MFS Research and SPAR. As of 3/31/2010. P/E ratios are based on operating earnings over the trailing 4 quarters for the S&P 500 index. September 2009 through December 2010 are estimates from Standardandpoors.com. *Peak to trough dates are: 3/24/2000 – 10/9/2002 and 10/9/2007 – 3/9/2009. Market decline returns are cumulative based on price only.

Past performance is no guarantee of future results.

Cost Cutting Drove Earnings Improvement

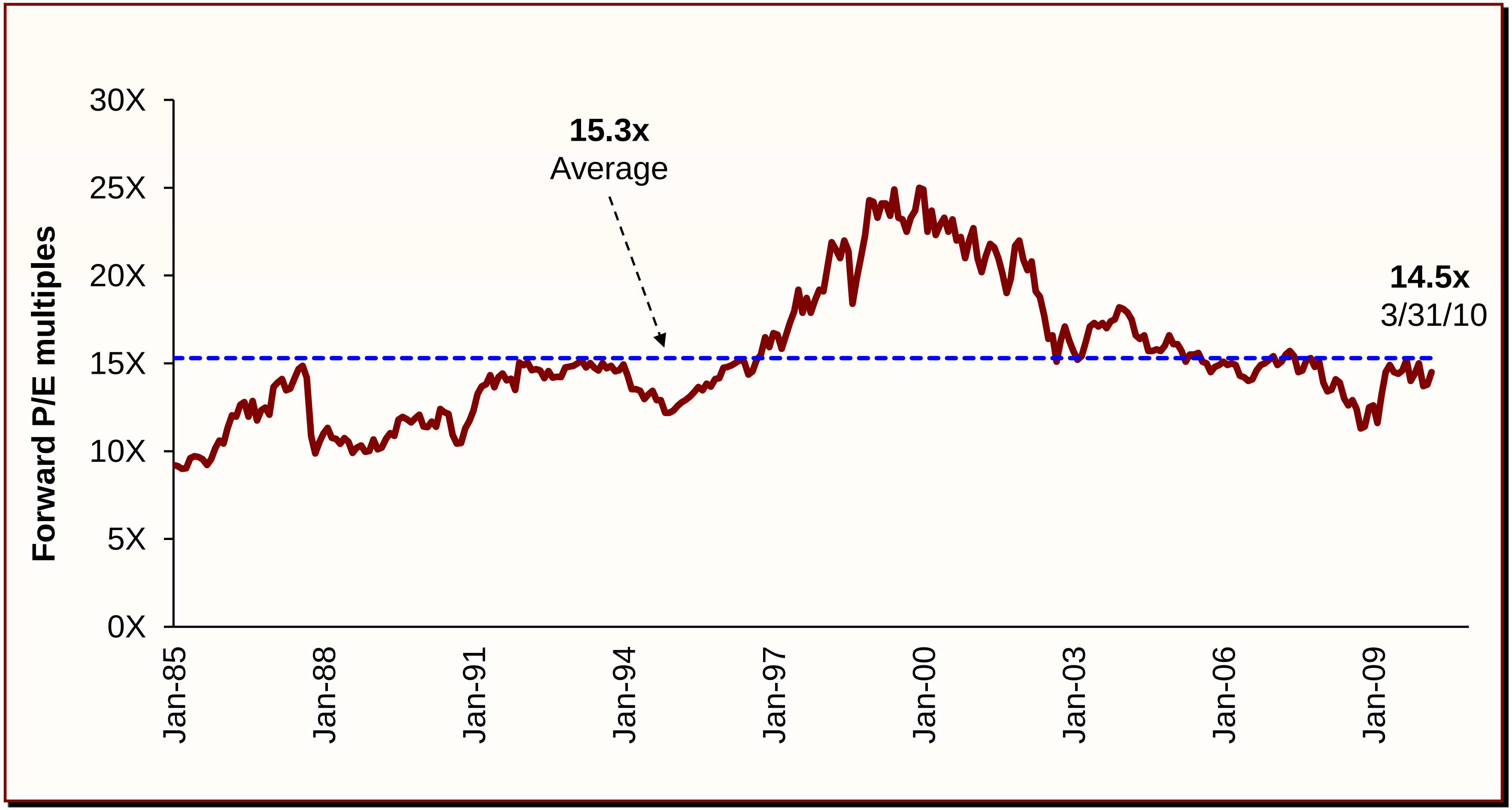
S&P 500 expenses, earnings, and revenues; year over year % chg



Source: MFS Research. Revenue data is through 3/31/2010. Expenses and Earnings data is through 12/31/09, the most current data available.

Equity Market Multiples

S&P 500 next 12 month P/E ratios, 1/31/1985 – 3/31/2010



Source: MFS Research. As of 3/31/2010. P/E ratios are based on IBES forward estimates for the S&P 500 index.

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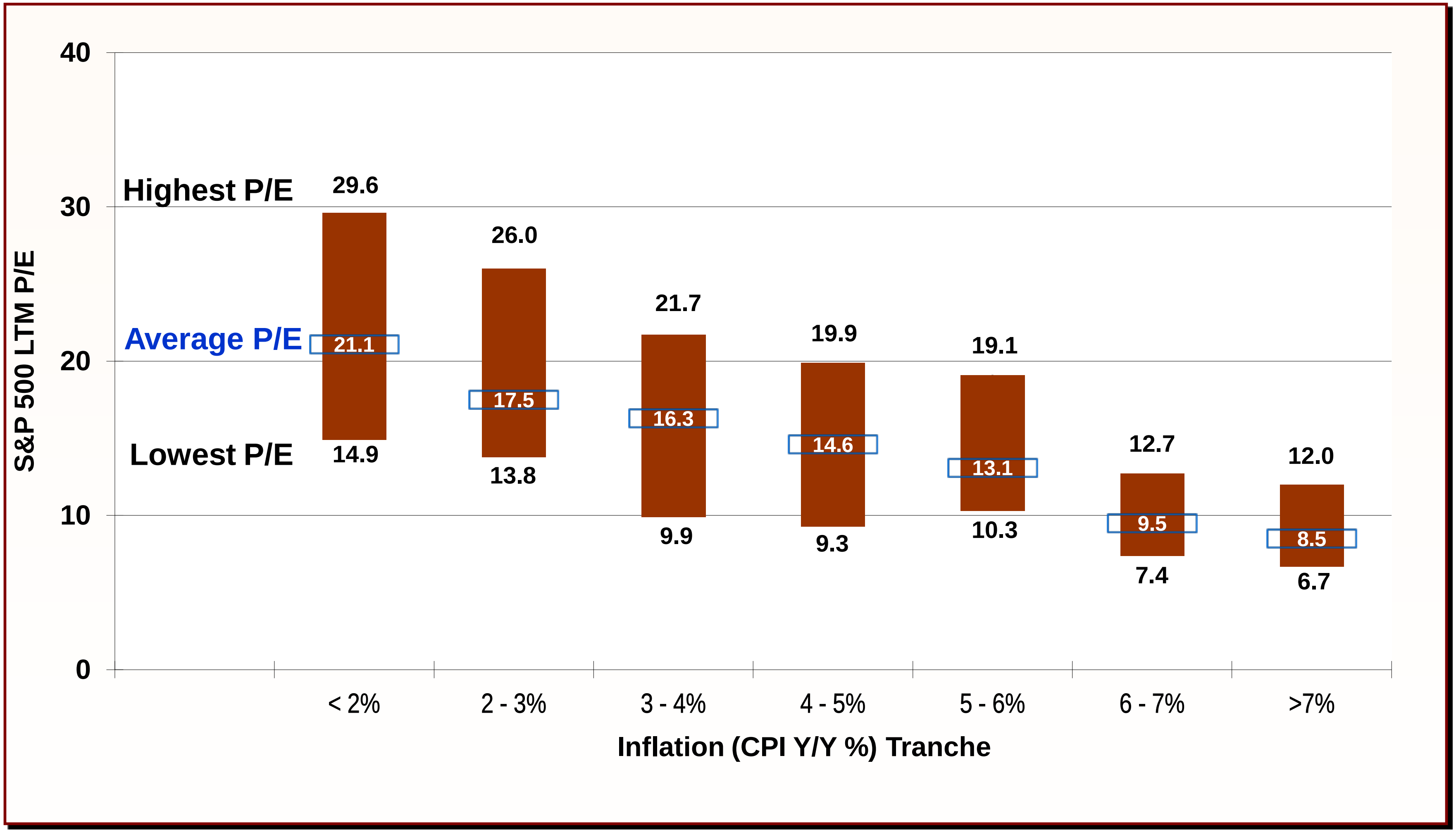
Equity Market Multiples

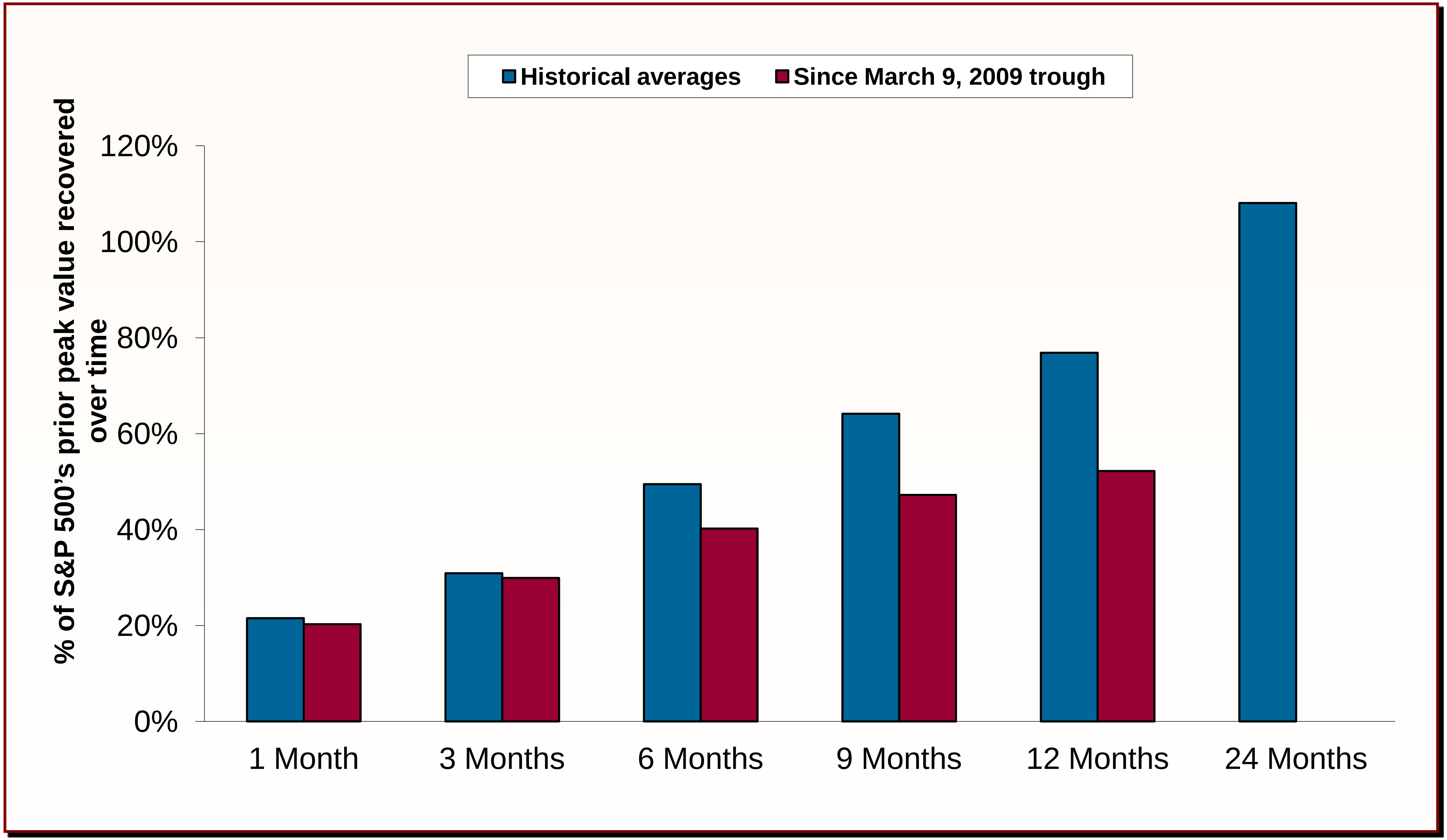
S&P 500 trailing 12 month P/E levels by inflation tranche



Source: Charles Schwab, as of 31-Dec-09, most recent data available

Putting the Market's Recovery in Context

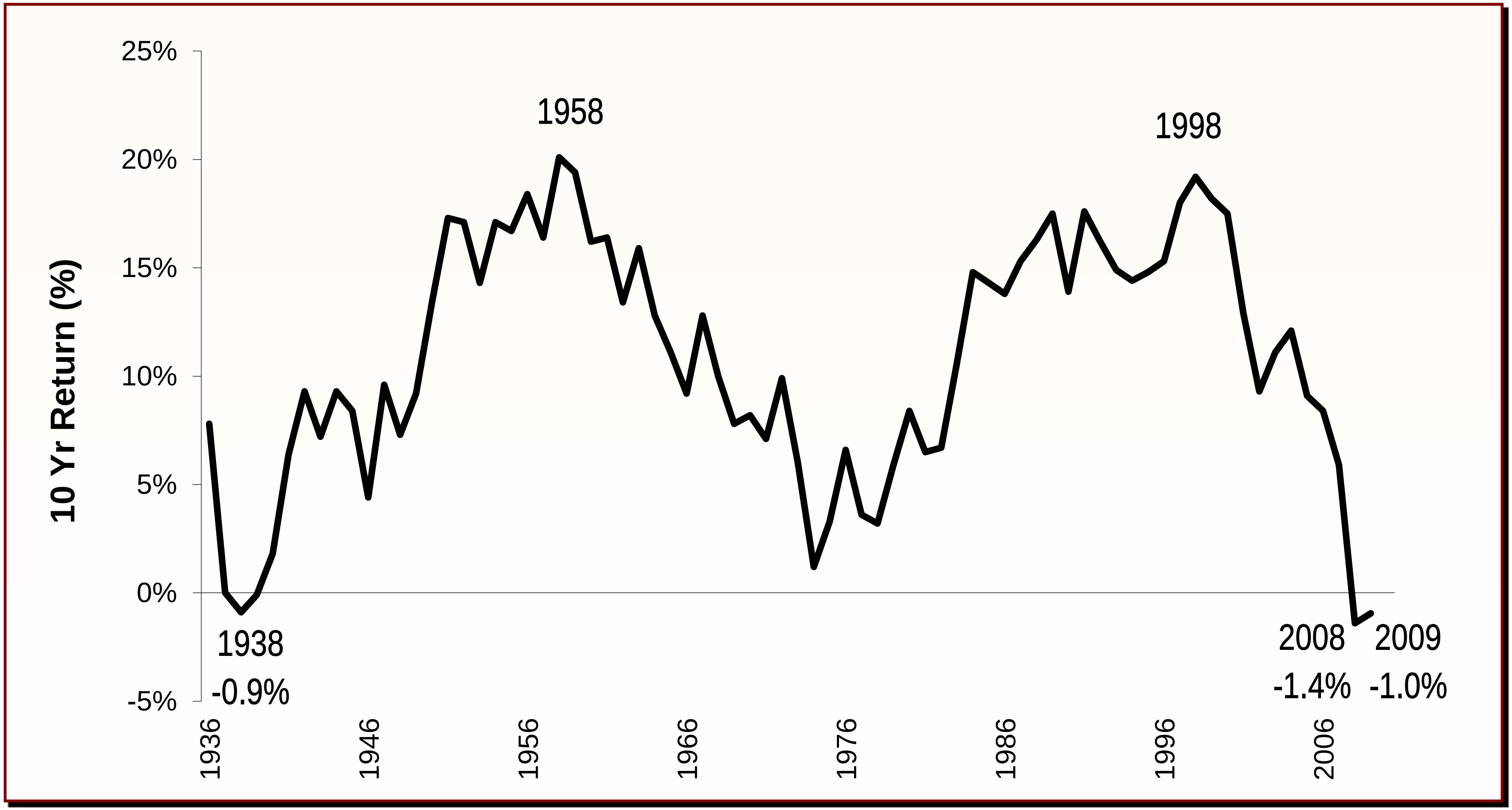
% of S&P 500's prior peak value recovered over time



Source: MFS Research. As of 3/9/10.

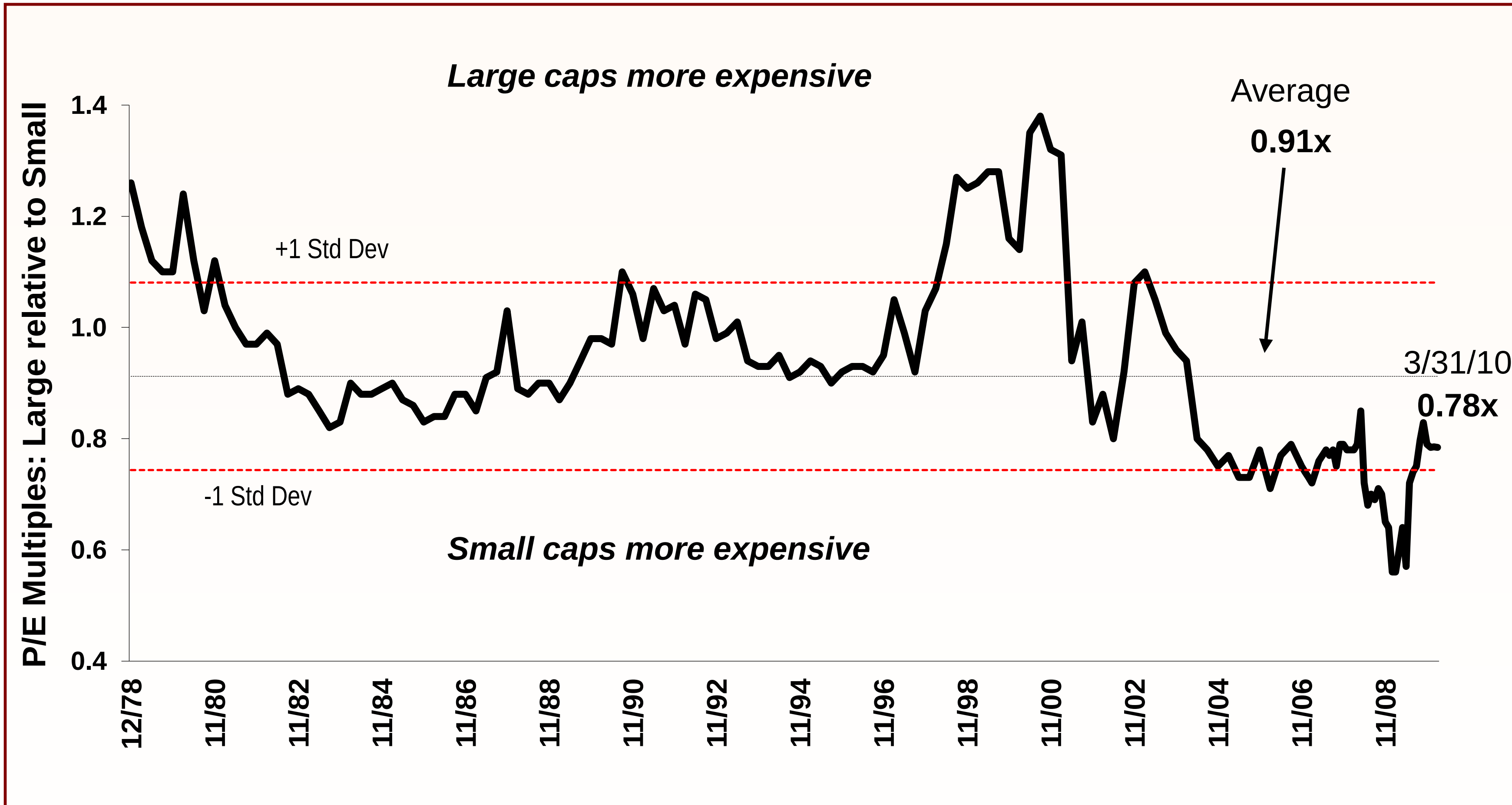
Long Term Performance of US Large-Cap Stocks

Rolling 10-Year average annual total return 1936 through 2009



Source: Strategas Research Partners and MFS Research, as of 12/31/2009. NYSE listed stocks represent the US Large-Cap Stocks.

Large vs. Small



Source: Citigroup Smith Barney Quantitative Analysis, MFS Research. As of 3/31/2010.

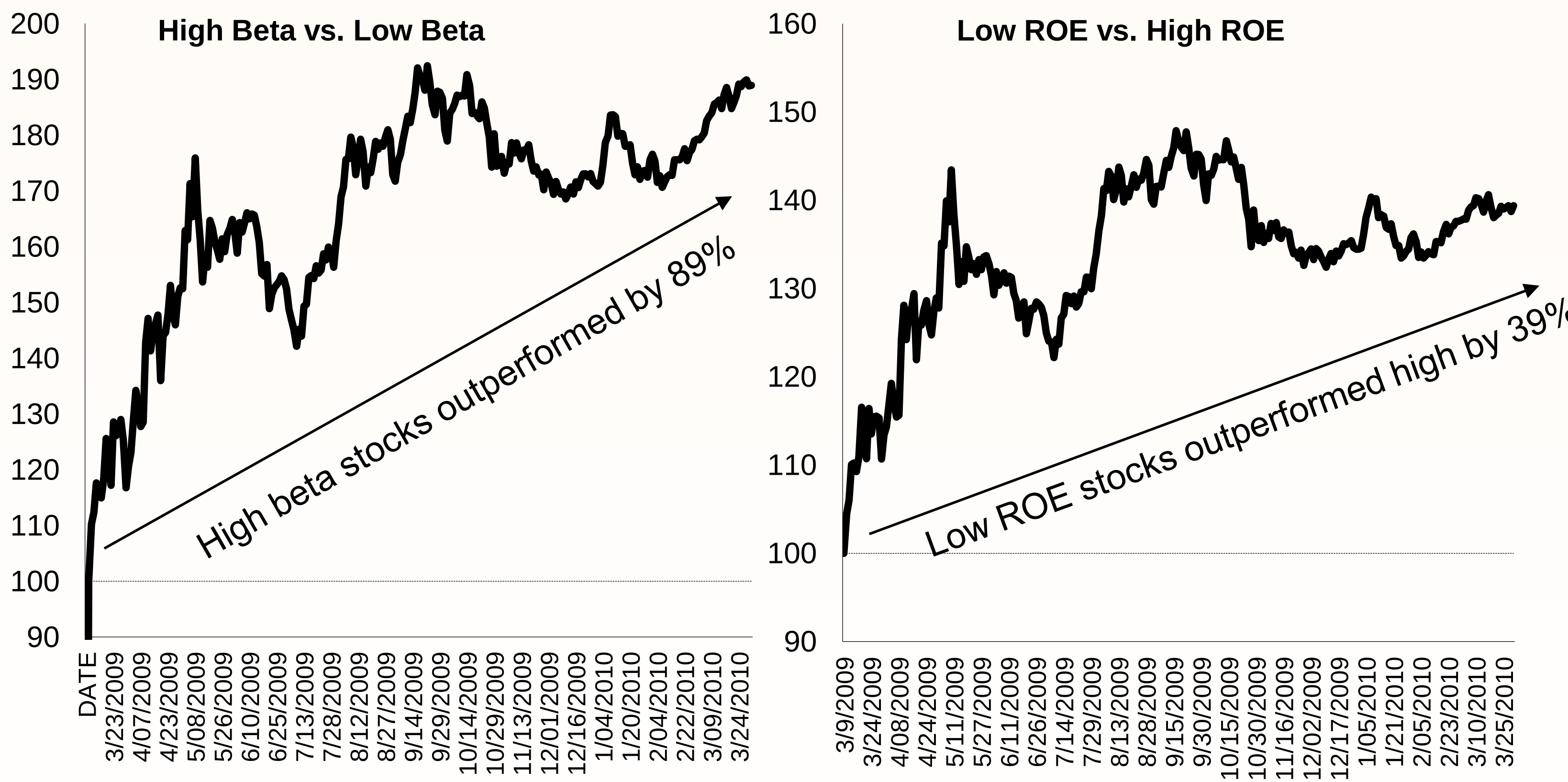
Past performance is no guarantee of future results. It is not possible to invest directly in an index.

* Institutional Brokers Estimate System is a system that gathers and compiles the different estimates made by stock analysts on the future earnings for the majority of U.S. publicly traded companies.

Russell 1000 Index measures large cap U.S. stocks. Russell 2000 Index measures U.S. small-cap stocks.

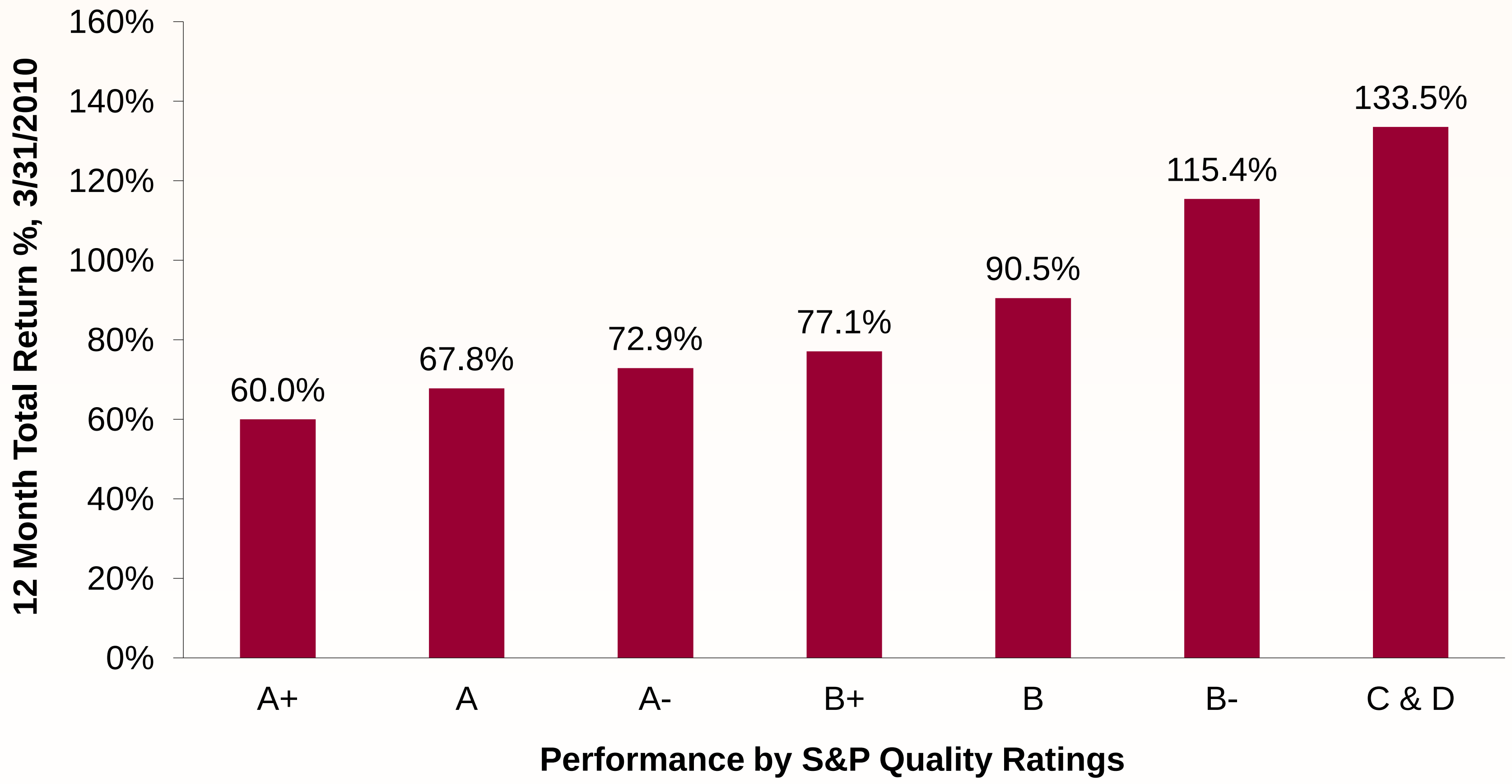
Performance by S&P Quality Ratings

Lower quality, higher beta stocks have outperformed since 3/9/09



Source: MFS Research, shows performance of the highest quintile stocks within the S&P vs. the lowest quintile. Data as 3/31/2010.

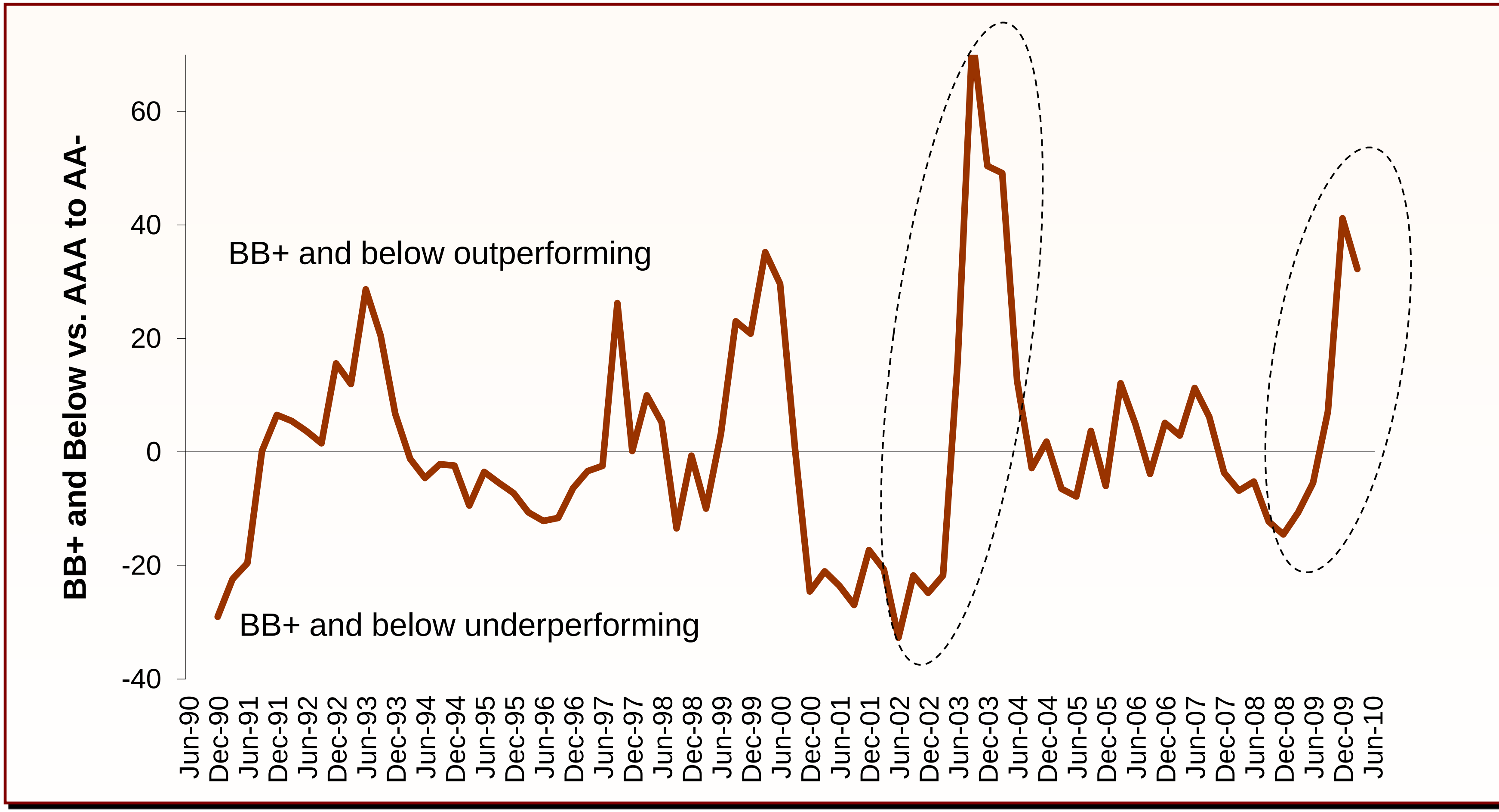
Performance by Quality Ratings



Source: Bank of America/Merrill Lynch Research Performance Monitor, as of 3/31/2010.

Sharp Low Quality Rally

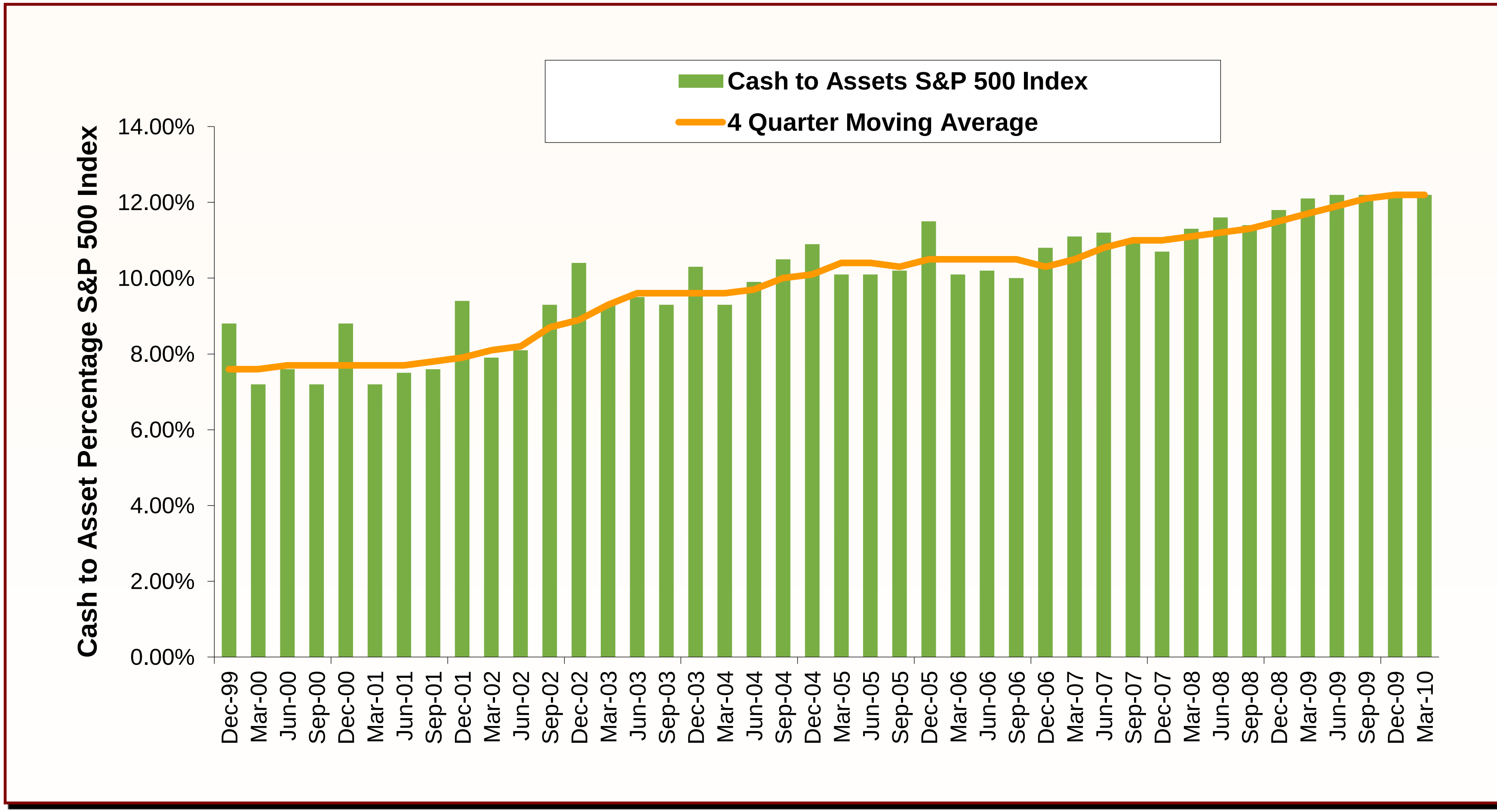
Rolling 12 month returns of S&P 500 by senior debt ratings, BB+ and below vs. AAA to AA-



Source: MFS Research, as of 3/31/10.

High Cash Balances on Companies' Balance Sheets

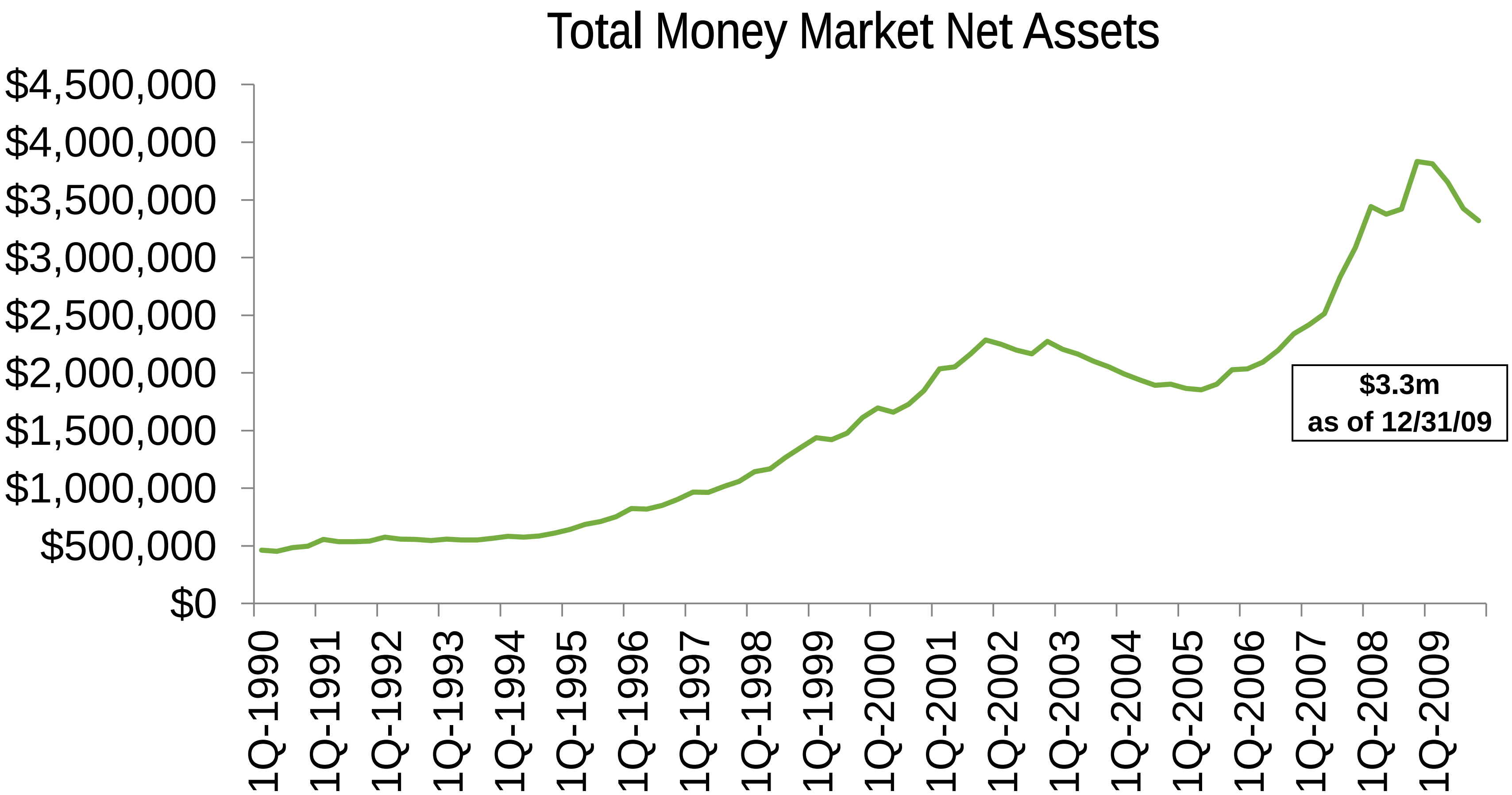
12/31/1999 – 3/31/2010



Source: MFS Research. As of 3/31/10.

Past performance is no guarantee of future results.

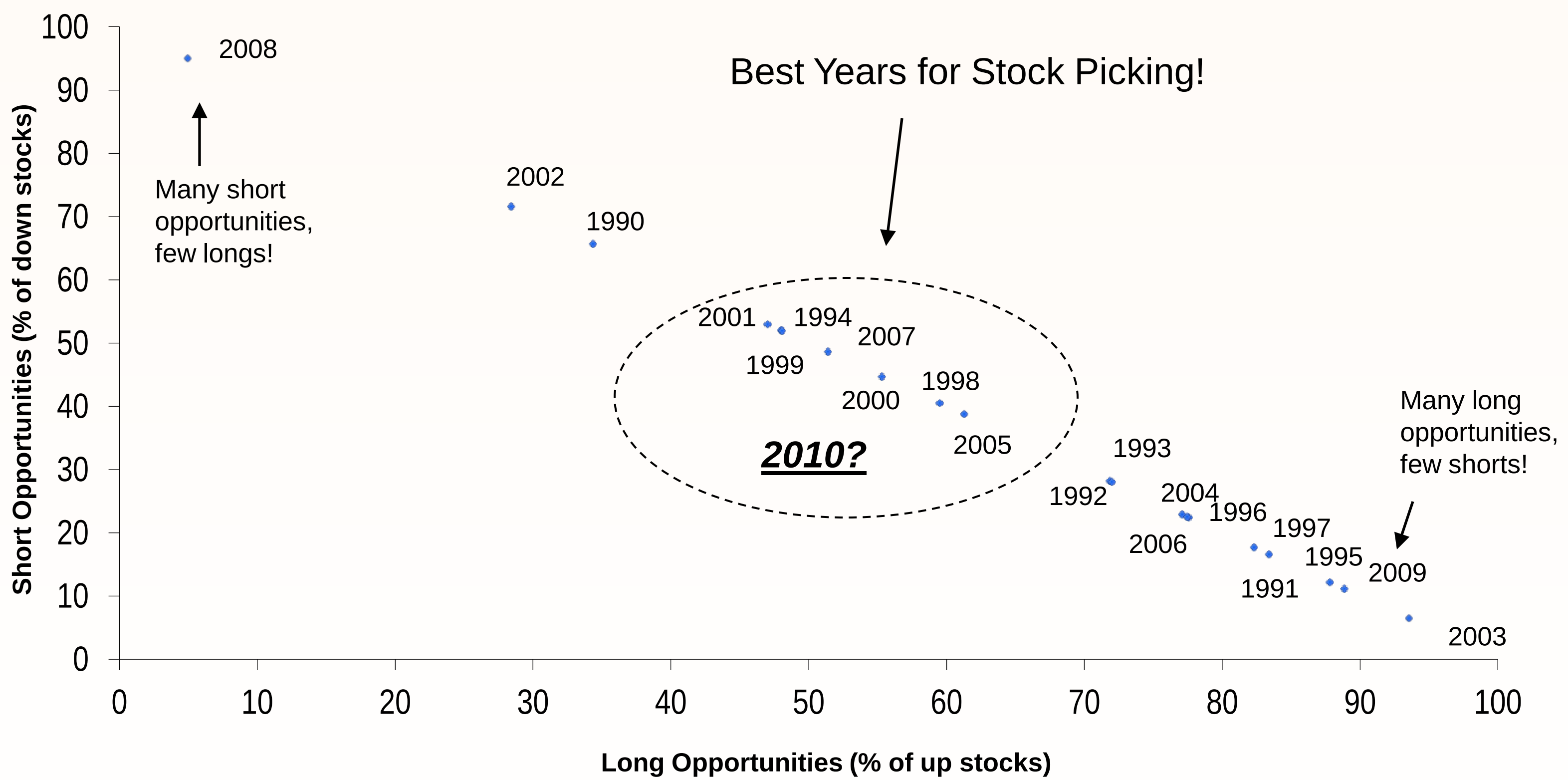
Cash on the sidelines



As of 12/31/09, latest data available. Data from 1/90 – 12/09.
Source: ICI

2010 Is Likely To Be A Better Backdrop For Active Management

MFS INVESTMENT MANAGEMENT



Source: MFS Research, as of 12/31/09 based on S&P 500 Returns.

Thank you.