

# MFS Meridian<sup>®</sup> Funds SICAV

## Consumer Duty: Information for UK Distributors

The UK Financial Conduct Authority (FCA) introduced rules that require firms to deliver good outcomes for retail customers (the 'Consumer Duty') from 31 July 2023. MFS<sup>®</sup> has implemented the Consumer Duty in respect of its MFS Meridian Funds SICAV ('MFS Meridian Funds') products, offered to retail investors via its UK distribution partners. This brochure is intended to provide MFS' distribution partners in the UK with information to assist with compliance with their regulatory obligations under the Consumer Duty.

### Consumer Duty at MFS

The UK entity of MFS, MFS International (U.K.) Limited ('MIL UK') leads the implementation of the Consumer Duty as co-manufacturer and distributor of the MFS Meridian Funds products. MIL UK collaborates with its Luxembourg affiliate, MFS Investment Management (Lux) Company s.a.r.l. ('MFS Lux'), the management company of MFS Meridian Funds, to comply with the outcomes under the Consumer Duty on products and services, price and value, consumer understanding and consumer support. Each outcome is covered separately below.

MFS Meridian Funds are Luxembourg domiciled UCITS funds registered with the FCA as overseas funds that can be distributed to retail customers in the United Kingdom. The MFS Meridian Funds are subject to the EU Undertakings in Collective Investments in Transferable Securities Directive 2009/65 ('EU UCITS Directive'), which serves as the regulatory framework facilitating retail investing through collective investment funds. MFS has implemented processes and procedures to ensure that MFS Meridian Funds comply with the requirements of the EU UCITS Directive on an ongoing basis. The MFS Meridian Funds products are offered to retail customers in the UK through distributors appointed by MFS. MFS does not itself offer MFS Meridian Funds products directly to retail customers.

Distributors will be able to access product specific information on MFS Meridian Funds for the purpose of complying with Consumer Duty requirements in the European MiFID Template (the 'EMT') using MFS-designated platforms such as FE Fund Info and Broadridge.

### Creating Value Responsibly Over the Long Term

Our implementation of the Consumer Duty, including the outcomes covered below, recognises and reflects our aim to create value responsibly as an active manager that invests over longer-term horizons.

#### Products and Services Outcome



This outcome requires the manufacturer to maintain and operate a product approval process that specifies a target market and intended distribution strategy, amongst other things. MFS maintains a product approval process and has identified the target market and distribution strategy for each MFS Meridian Funds product based on MiFID characteristics in the EMT. When specifying a target market, MFS considers the characteristics, risk profile, complexity and nature of the product and considers the investor type, knowledge and experience, ability to bear loss, risk tolerance and client objectives / needs (in each case, as appropriate to the product). On the distribution strategy, MFS will indicate whether the product is to be distributed on an execution only basis, with advice and/or with portfolio management. Please refer to the MFS EMT disclosure for information specific to the MFS Meridian Funds products.

#### Price and Value Outcome



This outcome requires the manufacturer to ensure that its products provide fair value to retail customers in the target market and conduct a value assessment which should be reviewed on a regular basis. The specific focus of the price and value outcome is on ensuring the price the customer pays for a product or service is reasonable compared to the overall benefits of the product. In assessing fair value, the Consumer Duty sets out mandatory and additional factors for the manufacturer to consider.

The table below sets out the MFS value assessment framework for the MFS Meridian Funds, which has been designed to consider the nature of the overall ongoing charges by MFS, accrued costs and benefits and comparable market rates. In summary, the MFS Fair Value Framework assesses each product of the MFS Meridian Funds by considering the features of each product using metrics that measure the quality of the services provided; the investment returns generated (performance); the overall ongoing charges (total expense ratio) and how these charges compare to similar products (comparable market rates).

As the Consumer Duty is aimed at outcomes for retail customers, MFS applies the MFS fair value framework to the W and I share classes of each sub-fund of the MFS Meridian Funds. The MFS Consumer Duty Fair Value Working Group (the 'MFS Consumer Duty WG') assesses a representative W and I share class product for sub-fund using the framework below. The representative share class is an accumulation, unhedged product denominated in the sub-fund's base currency (the prospectus of the MFS Meridian Funds sets out the base currency of each sub-fund). The findings are reviewed by the MIL UK Board of Directors and shared with the MFS Meridian Funds Board. The MFS Consumer Duty WG considers all metrics within the framework as part of its overall assessment on fair value. The fair value assessment for each of the in-scope MFS Meridian Funds products is communicated in the EMT.

### MFS Fair Value Framework

SOME FEATURES OF THE PRODUCT	QUALITY OF SERVICE METRICS	INVESTMENT RETURN METRICS*
<ul style="list-style-type: none"> <li>Objectives and investment strategy</li> <li>Risk and reward profile</li> <li>Total expense ratio</li> <li>Typical investor profile</li> <li>Time horizon</li> <li>Benchmark for comparison</li> <li>Limitations (no guarantee of capital or performance)</li> </ul>	<ul style="list-style-type: none"> <li>Active management levels measured against its comparison benchmark</li> <li>Risk management criteria used to assess whether the investment strategy of the product is being managed in alignment with compliance and risk management limits and guidelines.</li> </ul>	<ul style="list-style-type: none"> <li>Annualised average return of the fund on rolling 5-and-10- year basis over a 15-year period</li> <li>Annualised average return of the fund on a rolling 5-and- 10 year basis measured against its benchmark over a 15- year period</li> <li>Annualised average return of the fund on a rolling 5-and- 10 year basis measured against its Morningstar category</li> </ul>
COMPARABLE MARKET RATES		

The total expense ratio of the fund compared to its peer group median based on third party analysis commissioned by MFS

### Consumer Understanding Outcome



This outcome requires firms to support retail customer understanding so that its communications meet their information needs, are likely to be understood by them and equip them to make decisions that are effective, timely and properly informed. MFS makes available relevant information on the MFS Meridian Funds products, which retail customers can access directly from the [web](#) including the prospectus, Key Investor Information Document (KIID), fact sheet and semi and annual reports. MFS maintains an internal process to review and approve investor communications relating to the MFS Meridian Funds to ensure that the underlying information is clear, fair and not misleading and appropriate for the target market. MFS also provides additional information to investment professionals, including its distribution partners on its website, provides performance metrics and portfolio holdings, including sector and weightings at [www.mfs.com](http://www.mfs.com).

### Consumer Support Outcome



This outcome requires firms to design and deliver support to retail customers such that the support meets the needs of retail customers; ensures that retail customers can use their products as reasonably anticipated; ensures that it includes appropriate friction in its customer journeys to mitigate the risks of harm and give retail customers sufficient opportunity to understand and assess their options; ensures that retail customers do not face unreasonable barriers during the lifecycle of a product, such as when they want to make enquiries, amend or switch, submit a claim or make a complaint.

As indicated above, MFS does not interact directly with retail customers, and partners with distributors to offer MFS Meridian Funds to retail customers. MFS continues to engage with distributors and trade associations assisting distributors to assist with their compliance with the customer support outcome. MFS maintains a complaints handling process to ensure that complaints are adequately and promptly addressed. Distributors can submit complaints via MIL UK or report them directly to the State Street Bank International GmbH, Luxembourg Branch, as the transfer agent for the MFS Meridian Funds. Further information can be accessed [here](#).