

FOR REPRESENTATIVES ONLY

DFS GIF – GLOBAL EQUITY - MFS

QUARTERLY COMMENTARY AS OF DECEMBER 31, 2017

| PERFORMANCE | 3 months |
|--------------------|-----------------|
| Series 6 | 4.97 |
| Series 7 | 5.19 |

Portfolio Manager: MFS Investment Canada Limited

Inception Date: February 24, 2014

CONTRIBUTORS TO PERFORMANCE

- Strong stock selection in the Consumer Discretionary sector contributed to relative performance.
- Overall, the fund's currency exposure had the largest positive impact on relative performance during the quarter. We do not actively manage currency in this strategy.
- Furthermore, a combination of strong stock selection and an overweight to the Materials sector also aided relative performance.

DETRACTORS FROM PERFORMANCE

- Poor stock selection in both the Financials and Information Technology sectors detracted from relative performance.

MAJOR CHANGES TO PORTFOLIO

- Restructured our railroad positioning by eliminating our holdings of Union Pacific and replacing it with a new position in Canadian Pacific Railway (CP). For CP, the thesis is that the company will reach and exceed its current operational goals more quickly than the market is anticipating. We see CP growing earnings at twice the pace of its peers for the next few years, primarily driven by cost improvements.
- Initiated a position in TE Connectivity, a spinout of Tyco Electronics back in 2000, which manufactures connector and sensor components for automotive, industrial and communications applications, a growing field with secular tailwinds in each segment. TE is particularly well positioned to capture growth from megatrends such as electric vehicles specifically and increasing automation broadly, in our opinion.
- Started a position in Croda, a leading producer of specialty, high-value chemical additives focused on supplying consumer and industrial sectors. Croda's pricing power stems from its focus on niche markets, where it delivers critical, innovative products that account for only a small proportion of their customer's total cost (<5%). We see Croda generating 5%–7% revenue growth, with modest margin expansion to drive 8%–10% EPS growth. A healthy dividend yield and a solid balance sheet should pave the way for above-market shareholder returns.

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