MFS INVESTMENT MANAGEMENT®

We invented the mutual fund®

MFS® Bond Fund

MFS® ORIGINAL RESEARCH MAKES A DIFFERENCE®

A professionally managed portfolio of high-grade bonds

Q4 **December 31, 2000**

MORNINGSTAR CATEGORY

Long-Term Bond

The Morningstar category identifies funds based on their underlying portfolio holdings. Classifications are based on portfolio statistics and compositions over the past three years. For funds less than three years old, category classifications are based on life of fund.

OBJECTIVE

Seeks as high a level of current income as is believed to be consistent with prudent investment risk. As a secondary objective, the fund strives to protect shareholders' capital.

PORTFOLIO FACTS

Fund commencement

May 8, 1974

Net assets

$1167.7 million

Quotron symbol / CUSIP number

Class A MFBFX / 55272P208
Class B MFBBX / 55272P307
Class C MFBCX / 55272P703

Portfolio structure

High Grade Corporates	44.6%
US Treasuries	16.0%
Mortgage Backed	14.6%
High Yield Corporates	10.2%
Emerging Markets	6.0%
Asset Backed	5.7%
Govt Agency	2.0%
Domestic Equity	0.9%

Quality

Govts	30.4%
AAA	4.3%
AA	1.9%
A	14.1%
BBB	32.5%
BB	8.8%
B	3.7%
CCC	0.8%
Not Rated	0.4%
Equity	0.9%
Other	2.3%

Avg. life/option adjusted duration

12.0 years/5.7 years

The portfolio is actively managed, and current holdings may be different.

Portfolio structure percentages reflect sensitivity to asset class price changes. Negative exposures have been offset against the expected settlement position.

500 Boylston Street, Boston, MA 02116

Visit our Web site at www.mfs.com

MFB-4D-1/01/21M

MANAGEMENT

Investment policies and considerations

The fund invests at least 65% of its assets in investment-grade bonds, including U.S. government securities and high-grade corporate debt. The fund may invest up to 35% of its total assets in foreign securities including up to 10% in non-dollar denominated securities. The fund may invest up to 20% of its assets in high-yield securities. Investments in foreign and emerging market securities may be unfavorably affected by interest-rate and currency-exchange-rate changes, as well as market, economic, and political conditions of the countries where investments are made. There may be greater returns but also greater risk than with U.S. investments. The portfolio may invest in derivative securities which may include futures and options. These types of hedging instruments can increase price fluctuation. Investments in lower-rated securities may provide greater returns but may have greater-than-average risk. The portfolio may invest in mortgage-backed securities, which are subject to prepayments as homeowners pay their mortgages early by refinancing them at lower rates. Therefore, the value of securities may not increase as much as that of other fixed-income securities during periods of falling rates. These risks may increase share price volatility. Please see the prospectus for details. The fund's investment strategy is subject to change, and future performance cannot be guaranteed.

Portfolio manager(s)

Geoffrey L. Kurinsky, Senior Vice President of MFS, has been with the company since 1987 and has managed the fund since 1989. William J. Adams, Vice President and associate portfolio manager has also managed the fund since July 2000. He joined MFS in 1997.

Key points

- Class A has had positive annual net asset value returns 23 of the last 26 years (through 12/31/00)

Past performance is no guarantee of future results.

PERFORMANCE

Most recent distribution

(Dividends may include capital gain distributions)

Payable date 12/04/00 (monthly)

Class A	$0.07300 div	$0.00000 cap gain
Class B	$0.06612 div	$0.00000 cap gain
Class C	$0.06620 div	$0.00000 cap gain

SEC results

(as of December 31, 2000)

	Inception	1 year	5 years	10 years
Class A	05/08/74	3.61%	4.01%	7.27%
Class B	09/07/93*	3.95%	3.97%	7.21%
Class C	01/03/94*	6.96%	4.28%	7.25%

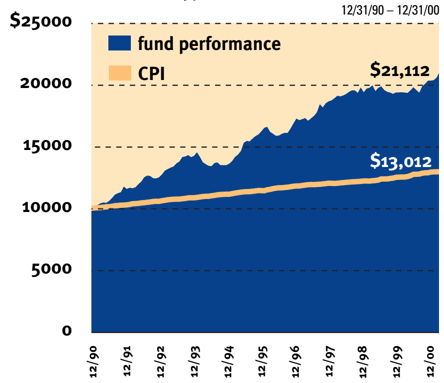
Class A share ("A") SEC results include the maximum 4.75% sales charge. Class B share ("B") SEC results reflect the applicable contingent deferred sales charge (CDSC), which declines over six years from 4% to 0%. Class C shares ("C") have no initial sales charge but, like B, have higher annual fees and expenses than A. C SEC results reflect the 1% CDSC applicable to shares redeemed within 12 months.

*B and C results include the performance and the operating expenses (e.g., Rule 12b-1 fees) of A for periods prior to the inception of B and C. Because operating expenses of B and C are higher than those of A, B and C performance generally would have been lower than A performance. The A performance included in the B and C SEC performance has been adjusted to reflect the CDSC generally applicable to B and C rather than the initial sales charge generally applicable to A. Performance results reflect any applicable expense subsidies and waivers in effect during the periods shown; without these, the results would have been less favorable. Please see the prospectus for details. All results are historical and assume the reinvestment of dividends and capital gains.

Investment return and principal value will fluctuate, and shares, when redeemed, may be worth more or less than their original cost. More recent returns may be more or less than those shown. Past performance is no guarantee of future results.

Growth of a hypothetical $10,000 investment

12/31/90 – 12/31/00



Fund returns assume the reinvestment of dividends and capital gain distributions but do not include a sales charge. Results would have been less favorable if the sales charge were included. Inflation is measured by the Consumer Price Index; the final month was estimated because the return was not available. It is not possible to invest directly in an index. Source: Wiesenberger®.

A prospectus containing more complete information, including charges and expenses, for any of the MFS products can be obtained from your investment professional. Read it carefully before you invest or send money.

MANAGEMENT PERSPECTIVE

Q How do you choose from the many types of bonds available to you?

A We use MFS Original Research®, a bottom-up process that allows us to draw from the best ideas of our fixed-income analysts in the corporate, Treasury, municipal, foreign, and high-yield markets. I incorporate the expertise, analysis, and recommendations of our various analysts to assemble a well-diversified portfolio.

Q Where have some of the best ideas come from recently?

A We've found some very good values in the mortgage market, which we believe offer several distinct advantages right now. First, the mortgage securities we emphasize – those issued by the Federal National Mortgage Association and the Government National Mortgage Association – are indirectly backed by the U.S. government. As such, they are very high-quality investments. Second, mortgage securities currently carry an attractive yield advantage over Treasury securities with comparable maturities. (Principal value and interest on Treasury securities are guaranteed by the U.S. government if held to maturity.) Third, mortgage securities, unlike corporate bonds, don't carry any credit risk. Given that the economy is slowing, credit fundamentals for many companies have begun to deteriorate, causing their bonds' prices to decline in response. It's true that mortgage securities are susceptible to interest rate movements, a sensitivity that's known as interest rate risk. Even though we believe that interest rates are poised to decline, we don't think they'll fall far enough to prompt a significant enough increase in prepayment activity to hurt mortgage securities.

Q How is the portfolio positioned within the corporate bond sector?

A Given the ongoing challenges the corporate bond sector faces, including the stock market's decline and a slowing economy, we've significantly reduced our holdings there. In addition, we've become more defensive, favoring high-quality companies, particularly those in the energy and utility sectors. Both could continue to benefit from their reputation as being "defensive" when economic conditions are slowing. Furthermore, we believe that energy and utility holdings have more upside potential, given high oil and natural gas prices.

Q How have you positioned the portfolio to benefit from the U.S. Treasury's buyback of its debt?

A We've focused most of our U.S. Treasury investments in bonds with intermediate- and long-term maturities, which has been the focus of the government's buyback efforts. The Treasury Department indicated that it expected to pay down $23 billion in marketable debt during the fourth quarter of 2000, which is about $13 billion more than it originally had projected. Furthermore, it plans to buy back approximately $9 billion more in the first quarter of calendar quarter 2001. We think those buybacks, combined with reduced and less frequent auctions of new debt and expected interest rate declines, could bode well for the continued strong performance of intermediate- and long-term Treasury securities.

Q What's your outlook?

A Each day we see mounting evidence that the economy is slowing down and at a rate much faster than many observers had expected. That said, we don't believe slowing growth will push the economy into a recession. In our view, stable, albeit slower, economic growth, coupled with falling interest rates, will provide a more favorable backdrop for high-quality corporate, Treasury, and mortgage securities.

GEOFFREY L. KURINSKY

Geoffrey L. Kurinsky is Senior Vice President of MFS Investment Management® (MFS®). He manages the investment-grade bond portfolios of our mutual funds and variable annuities.

Geoff joined the MFS Fixed Income Department in 1987 and was named portfolio manager in 1989, Vice President in 1989, and Senior Vice President in 1993.

He is a graduate of the University of Massachusetts and earned an M.B.A. degree in finance from Boston University.

All portfolio managers at MFS are supported by an investment staff of over 160 professionals utilizing MFS Original Research®, a global, issuer-oriented, bottom-up process of selecting securities.

The opinions expressed in this interview are those of MFS, and no forecasts can be guaranteed.