MFS® Meridian[SM] U.S. Government Bond Fund

January 31, 2001

FUND FACTS

Fund commencement
Class A October 5, 1998
Class B March 20, 1989

Portfolio manager(s)
D. Richard Smith

Net assets
$203.5 million

Average duration
3.8 years

NAV
Class A $10.04
Class B $10.05

Most recent distribution
Payable date 01/31/01 (Monthly)
Class A $0.04565
Class B $0.04150

Most recent yield

January 31, 2001	Class A	5.5%
January 31, 2001	Class B	5.0%

CUSIP/Bloomberg symbols
Class A G6015E623 / MFMUGAI
Class B G6015E102 / MFMUGBI

Portfolio structure

Mortgage Backed	46.5%
US Treasuries	27.1%
Govt Agency	15.6%
Asset Backed	9.6%
Cash	0.8%
International	0.5%

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

INVESTMENT OBJECTIVE

The fund seeks to provide current income and preserve principal by investing in U.S. Government and agency debt obligations.

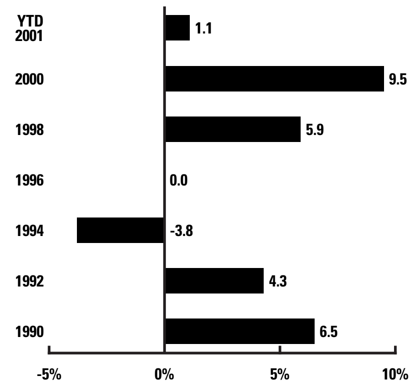
PERFORMANCE INFORMATION[1]

NAV

	YTD	1 Yr.	3 Yr.*	5 Yr.*	10 Yr.*
Class A	1.2%	11.7%	4.3%	4.1%	5.6%
Class B	1.1%	11.3%	3.9%	3.9%	5.5%

* Periods less than one year are actual not annualized.

CLASS B ANNUAL RATES OF RETURN[1]

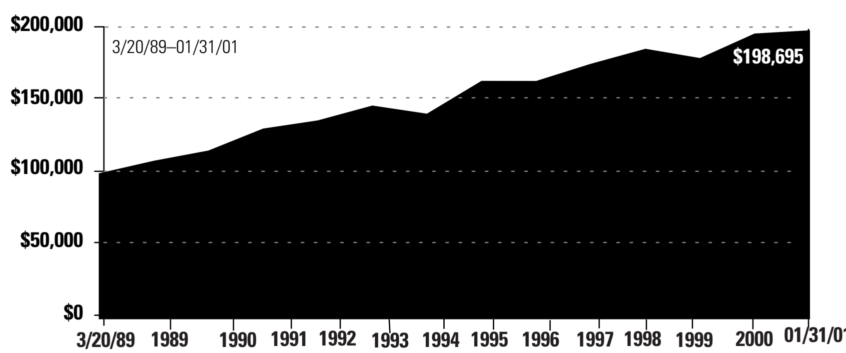


CLASS B NAV HI/LOW

February 1, 2000 – January 31, 2001

January 8, 2001	$10.08
May 18, 2000	$9.44

RESULTS OF A HYPOTHETICAL INVESTMENT OF $100,000 ON THE INCEPTION OF CLASS B[1]



KEY POINTS

- High quality portfolio of U.S. government and agency securities.
- Active bond management seeking a balance of capital preservation and income.
- Securities selected based on analysis of macro-economic indicators, relative sector valuation and overall market environment.

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

[1] Class A share results include the performance and operating expenses of Class B for periods prior to the inception of Class A. Because operating expenses of Class A are lower than those of Class B, performance generally would have been higher than Class B performance. These results reflect the percent change in net asset value. Returns would have been lower had sales charges been reflected. 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. **These results represent past performance and should not be considered as a representation of future results. Investment return and principal value will fluctuate and shares, when redeemed, may be worth more or less than the original cost, more recent returns may be worth more or less than shown.** A current prospectus for the MFS Meridian Funds may be obtained from your financial consultant. These funds are not for sale in the U.S. or to U.S. citizens or residents, or in Canada. Issued in the U.K. by MFS International (U.K.) Limited, regulated by IMRO in the conduct of investment business in the United Kingdom. For purposes of distribution in the U.K., MFS® Meridian Funds are an unregulated, collective investment scheme, and as such, their promotion in the U.K. is restricted to certain categories of persons. Investments in securities may be favorably or unfavorably affected by changes in interest rates and currency exchange rates, market conditions, and the economic and political conditions of the countries where investment are made. The fund 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. Government guarantees apply to the individual securities only and not to the prices and yields of the shares in a managed portfolio.

MAY LOSE VALUE NO BANK GUARANTEE

MANAGEMENT PERSPECTIVE

Q What is your investment philosophy?

A The fund seeks preservation of capital and a moderate amount of income through the investment in US government and other very high quality issues. We identify key themes in the bond market and implement them through economic research, relative value analysis of permissible securities, and risk management practices. Currently, these themes focus on a slowing of growth in the US economy, moderate inflation, and the attractive yield advantage of spread products.

Q What factors benefited fund performance in 2000?

A Fund performance has been consistent with intermediate government fund returns in a declining yield environment. While the Federal Funds rate has been raised to 6.50% as of December 20, 2000, the yield of the five-year US Treasury issue has declined by approximately .80% to 5.30%. Portfolio positions have focused on limited duration exposure to competing funds and over-weighting of high quality yield advantaged shorter maturity issues.

Q How is the fund currently positioned?

A The US Treasury weighting is currently at 25%. These issues are concentrated in longer maturities which we believe should benefit from buybacks for US debt reduction. The highest weighting in the portfolio is agency mortgage-backed pass-throughs. The yield advantage versus US Treasuries, at 1.70%, is compelling to us. Other issues, such at agency debentures and AAA rated asset-backed securities, fill in the shorter maturities.

Q In recent months, there has been a very high negative correlation between Treasury performance and that of the U.S. stock market. Do you expect to see the "flight to quality" continue?

A The reality of slower growth of corporate profits has lowered the price/earnings ratio for many equities and widened the yield spread of corporate debt securities. Expectations of easier Federal Reserve policy and lower government bond issuance has created a "flight to quality" trade. Our growth and inflation forecasts indicate that the majority of this transition has occurred.

Q What are your expectations for growth and inflation – and the Fed's response to both – in the year ahead? How has this impacted fund positioning?

A We expect growth to slow to about 2% in the 4th quarter and inflation to be in the 2-2.5% range. Inflation pressures have been abating, not accelerating. Factors we are watching are: retail spending, heavy inventories, and the cost of labor. Since the market has priced in a lot of potential easing of interest rates, we're focused more on a yield-oriented strategy that is positioned neutral duration and neutral to the yield curve.

D. RICHARD SMITH

Richard Smith is Vice President — Investments at MFS Investment Management® and portfolio manager of MFS® Government Mortgage Fund, MFS® Government Limited Maturity Fund, and MFS® Meridian℠ U.S. Government Bond Fund. Mr. Smith joined MFS in 1993. From 1986 to 1993 he worked in research and institutional sales on Wall Street. He is a graduate of Vassar College and has an M.B.A. from Vanderbilt University.

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