



# MFS<sup>®</sup> Blended Research<sup>®</sup> Small Cap Equity Portfolio

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MFS<sup>®</sup> Variable Insurance Trust III

# MFS® Blended Research® Small Cap Equity Portfolio

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# PORTFOLIO COMPOSITION





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Stocks in other sectors that hampered relative performance included the fund's overweight position in banking services provider UMB Financial(h), and its holdings of poor-performing retail and commercial banking services provider First Hawaiian(b)(h) and digital outsourcing services provider TaskUs(b). The share price of UMB Financial weakened due to lower-than-anticipated Net Interest Income (NII) and higher operating expenses that led to margin contraction. Additionally, the failure of regional banks at the beginning of the calendar year also pressured the stock's performance.

Respectfully,

Portfolio Manager(s)

Jim Fallon, Matt Krummell, Jonathan Sage, and Jed Stocks

(b) Security is not a benchmark constituent.

(h) Security was not held in the portfolio at period end.

The views expressed in this report are those of the portfolio manager(s) only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or an indication of trading intent on behalf of any MFS portfolio. References to specific securities are not recommendations of such securities, and may not be representative of any MFS portfolio's current or future investments.

## PERFORMANCE SUMMARY THROUGH 12/31/23

The following chart illustrates the historical performance of the fund in comparison to its benchmark(s). Benchmarks are unmanaged and may not be invested in directly. Benchmark returns do not reflect any fees or expenses. The performance of other share classes will be greater than or less than that of the class depicted below. (See Notes to Performance Summary.)

Performance results do not include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles and may differ from amounts reported in the financial highlights.

From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

**EXPENSE TABLE****1, 2023****31, 2023**

As a shareholder of the fund, you incur ongoing costs, including management fees; distribution and/or service (12b-1) fees; and other fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period July 1, 2023 through December 31, 2023.

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The first line for each share class in the following table provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

The second line for each share class in the following table provides information about hypothetical account values and hypothetical expenses based on the fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight the fund's ongoing costs only and do not take into account the fees and expenses imposed under the variable contracts through which your investment in the fund is made. Therefore, the second line for each share class in the table is useful in comparing ongoing costs associated with an investment in vehicles (such as the fund) which fund benefits under variable annuity and variable life insurance contracts and to qualified pension and retirement plans only, and will not help you determine the relative total costs of investing in the fund through variable annuity and variable life insurance contracts. If the fees and expenses imposed under the variable contracts were included, your costs would have been higher.

		Annualized Expense Ratio	Investment	Actual Account Value	Expenses Paid During Period
Initial Class	Actual	0.48%	\$1,000.00	\$1,108.75	\$2.55
	Hypothetical (h)	0.48%	\$1,000.00	\$1,022.79	\$2.45
Service Class	Actual	0.73%	\$1,000.00	\$1,107.04	\$3.88
	Hypothetical (h)	0.73%	\$1,000.00	\$1,021.53	\$3.72

(h) 5% class return per year before expenses.

(p) "Expenses Paid During Period" are equal to each class's annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).











/ v (\$)

Common Stocks – continued

Pharmaceuticals – continued

1. 10/1/2017  
2. 10/1/2017  
3. 10/1/2017

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MFS Blended Research Small Cap Equity Portfolio

	/	v	(\$)
Investment Companies (h) – 0.4%			
Money Market Funds – 0.4%			
Collateral for Securities Loaned – 0.6%			
<b>A</b>			<b>\$85,580,054</b>

- (a) Non-income producing security.
- (h) An affiliated issuer, which may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. At period end, the aggregate values of the fund's investments in affiliated issuers and in unaffiliated issuers were \$352,215 and \$85,395,481, respectively.
- (j) The rate quoted is the annualized seven-day yield of the fund at period end.
- (l) A portion of this security is on loan. See Note 2 for additional information.
- (v) Affiliated issuer that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.

The following abbreviations are used in this report and are defined:

REIT                      Real Estate Investment Trust

# FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

**A 12/31/23**

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Assets

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Liabilities

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Total

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# FINANCIAL STATEMENTS | FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the fund's financial performance for the past 5 years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

	12/31/23	12/31/22	12/31/21	12/31/20	12/31/19
Net asset value at beginning of period	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
Net investment income	0.00	0.00	0.00	0.00	0.00
Net realized capital gains	0.00	0.00	0.00	0.00	0.00
Net realized capital losses	0.00	0.00	0.00	0.00	0.00
Net change in net asset value	0.00	0.00	0.00	0.00	0.00
Net asset value at end of period	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
Total return	0.00%	0.00%	0.00%	0.00%	0.00%
Net asset value at beginning of period	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
Net investment income	0.00	0.00	0.00	0.00	0.00
Net realized capital gains	0.00	0.00	0.00	0.00	0.00
Net realized capital losses	0.00	0.00	0.00	0.00	0.00
Net change in net asset value	0.00	0.00	0.00	0.00	0.00
Net asset value at end of period	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
Total return	0.00%	0.00%	0.00%	0.00%	0.00%

	12/31/23	12/31/22	12/31/21	12/31/20	12/31/19
Net asset value at beginning of period	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
Net investment income	0.00	0.00	0.00	0.00	0.00
Net realized capital gains	0.00	0.00	0.00	0.00	0.00
Net realized capital losses	0.00	0.00	0.00	0.00	0.00
Net change in net asset value	0.00	0.00	0.00	0.00	0.00
Net asset value at end of period	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
Total return	0.00%	0.00%	0.00%	0.00%	0.00%
Net asset value at beginning of period	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
Net investment income	0.00	0.00	0.00	0.00	0.00
Net realized capital gains	0.00	0.00	0.00	0.00	0.00
Net realized capital losses	0.00	0.00	0.00	0.00	0.00
Net change in net asset value	0.00	0.00	0.00	0.00	0.00
Net asset value at end of period	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
Total return	0.00%	0.00%	0.00%	0.00%	0.00%

- (d) Per share data is based on average shares outstanding.
- (g) The per share amount varies from the net realized and unrealized gain/loss for the period because of the timing of sales of fund shares and the per share amount of realized and unrealized gains and losses at such time.
- (k) The total return does not reflect expenses that apply to separate accounts. Inclusion of these charges would reduce the total return figures for all periods shown.

## NOTES TO FINANCIAL STATEMENTS

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MFS Blended Research Small Cap Equity Portfolio (the fund) is a diversified series of MFS Variable Insurance Trust III (the trust). The





management fee will continue until modified by the fund's Board of Trustees, but such agreement will continue at least until April 30, 2025. For the year ended December 31, 2023, this management fee reduction amounted to \$10,283, which is included in the reduction of total expenses in the Statement of Operations. The management fee incurred for the year ended December 31, 2023 was equivalent to an annual effective rate of 0.39% of the fund's average daily net assets.

The investment adviser has agreed in writing to pay a portion of the fund's total annual operating expenses, excluding interest, taxes, extraordinary expenses, brokerage and transaction costs, certain tax reclaim recovery expenses (including contingency fees and closing agreement expenses), and investment-related expenses, such that total annual operating expenses do not exceed 0.60% of average daily net assets for the Initial Class shares and 0.85% of average daily net assets for the Service Class shares. This written agreement will continue until modified by the fund's Board of Trustees, but such agreement will continue at least until April 30, 2025. For the year ended December 31, 2023, the fund's actual operating expenses did not exceed the limit and therefore, the investment adviser did not pay any portion of the fund's expenses related to this agreement.

— MFS Fund Distributors, Inc. (MFD), a wholly-owned subsidiary of MFS, is the distributor of shares of the fund. The Trustees have adopted a distribution plan for the Service Class shares pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The fund's distribution plan provides that the fund will pay MFD distribution and/or service fees equal to 0.25% per annum of its average daily net assets attributable to Service Class shares as partial consideration for services performed and expenses incurred by MFD and financial intermediaries (including participating insurance companies that invest in the fund to fund variable annuity and

12/31/23

12/31/22

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	12/31/23	12/31/22
Assets		
Current Assets		
Cash		
Accounts Receivable		
Inventory		
Prepaid Expenses		
Other Current Assets		
Non-Current Assets		
Property, Plant, and Equipment		
Intangible Assets		
Other Non-Current Assets		
Liabilities		
Current Liabilities		
Accounts Payable		
Short-Term Debt		
Other Current Liabilities		
Non-Current Liabilities		
Long-Term Debt		
Other Non-Current Liabilities		
Equity		
Common Stock		
Retained Earnings		
Other Equity		







Reference is made to the

Name, Address and Telephone Number	Principal Occupation	Date First Appointed to Serve as Trustee/Officer	Number of MFS Funds Served as Trustee/Officer	Principal Occupation of Public Company
Mr. Robert A. Buller 111 Huntington Avenue Boston, MA 02199-7618 Tel: 617-552-3000	Senior Advisor, MFS	2012	1	Senior Advisor, MFS
Mr. Robert A. Caroselli 111 Huntington Avenue Boston, MA 02199-7618 Tel: 617-552-3000	Senior Advisor, MFS	2012	1	Senior Advisor, MFS
Mr. Robert A. Jones 111 Huntington Avenue Boston, MA 02199-7618 Tel: 617-552-3000	Senior Advisor, MFS	2012	1	Senior Advisor, MFS
Mr. Robert A. Otis 111 Huntington Avenue Boston, MA 02199-7618 Tel: 617-552-3000	Senior Advisor, MFS	2012	1	Senior Advisor, MFS
Mr. Robert A. Roberge 111 Huntington Avenue Boston, MA 02199-7618 Tel: 617-552-3000	Senior Advisor, MFS	2012	1	Senior Advisor, MFS
Mr. Robert A. Yost 111 Huntington Avenue Boston, MA 02199-7618 Tel: 617-552-3000	Senior Advisor, MFS	2012	1	Senior Advisor, MFS

(h) Date first appointed to serve as Trustee/Officer of an MFS Fund. Each Trustee has served continuously since appointment unless indicated otherwise. From January 2012 through December 2016, Messrs. DiLorenzo and Yost served as Treasurer and Deputy Treasurer of the Funds, respectively.

(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., "public companies").

(k) "Interested person" of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of a position with MFS. The address of MFS is 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

Each Trustee (other than Messrs. Jones, Kilman and Roberge) has been elected by shareholders and each Trustee and Officer holds office until his or her successor is chosen and qualified or until his or her earlier death, resignation, retirement or removal. Mr. Roberge became a Trustee of the Funds on January 1, 2021 and Messrs. Jones and Kilman became Trustees of the Funds on January 1, 2019. The Trust does not hold annual meetings for the purpose of electing Trustees, and Trustees are not elected for fixed terms. Under the terms of the Board's retirement policy, an Independent Trustee shall retire at the end of the calendar year in which he or she reaches the earlier of 75 years of age or 15 years of service on the Board (or, in the case of any Independent Trustee who joined the Board prior to 2015, 20 years of service on the Board).

Messrs. Buller, Caroselli, Jones and Otis are members of the Trust's Audit Committee.

Each of the Interested Trustees and certain Officers hold comparable officer positions with certain affiliates of MFS.

# MFS Blended Research Small Cap Equity Portfolio

Reference to Additional Information

The Statement of Additional Information for a Fund includes further information about the Trustees and is available without charge upon request by calling 1-800-225-2606.

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· **A**  
Massachusetts Financial Services Company  
111 Huntington Avenue  
Boston, MA 02199-7618

State Street Bank and Trust Company  
1 Congress Street, Suite 1  
Boston, MA 02114-2016

MFS Fund Distributors, Inc.  
111 Huntington Avenue  
Boston, MA 02199-7618

· **A**  
Deloitte & Touche LLP  
200 Berkeley Street  
Boston, MA 02116

( )  
Jim Fallon  
Matt Krummell  
Jonathan Sage  
Jed Stocks

## BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT



The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested (“independent”) Trustees, voting separately, annually approve the continuation of the Fund’s investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the

## MFS Blended Research Small Cap Equity Portfolio

### Board of Trustees' Advisory Fee and Expense Ratio

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's Initial Class shares as a percentage of average daily net assets and the advisory fee and total expense ratios of the Broadridge expense group based on information provided by Broadridge. The Trustees considered that MFS currently observes an expense limitation for the Fund, which may not be changed without the Trustees' approval. The Trustees also considered that, according to the data provided by Broadridge (which takes into account any fee reductions or expense limitations that were in effect during the Fund's last fiscal year), the Fund's effective advisory fee rate and total expense ratio were each lower than the Broadridge expense group median.

The Trustees also considered the advisory fees charged by MFS to any institutional separate accounts advised by MFS ("separate accounts") and unaffiliated investment companies for which MFS serves as subadviser ("subadvised funds") that have comparable investment strategies to the Fund, if any. In comparing these fees, the Trustees considered information provided by MFS as to the generally broader scope of services provided by MFS to the Fund, as well as the more extensive regulatory burdens imposed on MFS in managing the Fund, in comparison to separate accounts and subadvised funds. The Trustees also considered the higher demands placed on MFS' investment personnel and trading infrastructure as a result of the daily cash in-flows and out-flows of the Fund in comparison to separate accounts.

The Trustees also considered whether the Fund may benefit from any economies of scale in the management of the Fund in the event of growth in assets of the Fund and/or growth in assets of the MFS Funds as a whole. They noted that the Fund's advisory fee rate schedule is not subject to any breakpoints. Taking into account the expense limitation noted above, the Trustees determined not to recommend any advisory fee breakpoints for the Fund at this time. The Trustees also noted that MFS has agreed in writing to waive a portion of the management fees of certain MFS Funds, including the Fund, if the total combined assets of certain funds within the MFS Funds' complex increase above agreed upon thresholds (the "group fee waiver"), enabling the Fund's shareholders to share in the benefits from any economies of scale at the complex level. The group fee waiver is reviewed and renewed annually between the Board and MFS. The Trustees concluded that the group fee waiver was sufficient to allow the Fund to benefit from economies of scale as its assets and overall complex assets grow.

The Trustees also considered information prepared by MFS relating to MFS' costs and profits with respect to the Fund, the MFS Funds considered as a group, and other investment companies and accounts advised by MFS, as well as MFS' methodologies used to determine and allocate its costs to the MFS Funds, the Fund and other accounts and products for purposes of estimating profitability.

After reviewing these and other factors described herein, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that the advisory fees charged to the Fund represent reasonable compensation in light of the services being provided by MFS to the Fund.

In addition, the Trustees considered MFS' resources and related efforts to continue to retain, attract and motivate capable personnel to serve the Fund. The Trustees also considered current and developing conditions in the financial services industry, including the presence of large and well-capitalized companies which are spending, and appear to be prepared to continue to spend, substantial sums to engage personnel and to provide services to competing investment companies. In this regard, the Trustees also considered the financial resources of MFS and its ultimate parent, Sun Life Financial Inc. The Trustees also considered the advantages and possible disadvantages to the Fund of having an adviser that also serves other investment companies as well as other accounts.

The Trustees also considered the nature, quality, cost, and extent of administrative, transfer agency, and distribution services provided to the Fund by MFS and its affiliates under agreements and plans other than the investment advisory agreement, including any 12b-1 fees the Fund pays to MFS Fund Distributors, Inc., an affiliate of MFS. The Trustees also considered the nature, extent and quality of certain other services MFS performs or arranges for on the Fund's behalf, which may include securities lending programs, directed expense payment programs, class action recovery programs, and MFS' interaction with third-party service providers, principally custodians and sub-custodians. The Trustees concluded that the various non-advisory services provided by MFS and its affiliates on behalf of the Fund were satisfactory.

The Trustees considered so-called "fall-out benefits" to MFS such as reputational value derived from serving as investment manager to the MFS Funds. The Trustees also considered that MFS discontinued its historic practice of obtaining investment research from portfolio brokerage commissions paid by certain MFS Funds effective January 2018, and directly pays or voluntarily reimburses a Fund, if applicable, for the costs of external research acquired through the use of the Fund's portfolio brokerage commissions.

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2023.

## PROXY VOTING POLICIES AND INFORMATION

MFS votes proxies on behalf of the fund pursuant to proxy voting policies and procedures that are available without charge, upon request, by calling 1-800-225-2606, by visiting [mfs.com/proxyvoting](http://mfs.com/proxyvoting), or by visiting the SEC's Web site at <http://www.sec.gov>.

Information regarding how the fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available by August 31 of each year without charge by visiting [mfs.com/proxyvoting](http://mfs.com/proxyvoting), or by visiting the SEC's Web site at <http://www.sec.gov>.

## QUARTERLY PORTFOLIO DISCLOSURE

The fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. The fund's Form N-PORT reports are available on the SEC's Web site at <http://www.sec.gov>. A shareholder can obtain the portfolio holdings report for the first and third quarters of the fund's fiscal year at [mfs.com/vit3](http://mfs.com/vit3) by choosing the fund's name and then scrolling to the "Resources" section and clicking on the "Prospectus and Reports" tab.

## FURTHER INFORMATION

From time to time, MFS may post important information about the fund or the MFS Funds on the MFS Web site ([mfs.com](http://mfs.com)). This information is available at <https://www.mfs.com/announcements> or at [mfs.com/vit3](http://mfs.com/vit3) by choosing the fund's name and then scrolling to the "Resources" section and clicking on the "Announcements" tab, if any.

## INFORMATION ABOUT FUND CONTRACTS AND LEGAL CLAIMS

The fund has entered into contractual arrangements with an investment adviser, administrator, distributor, shareholder servicing agent, and custodian who each provide services to the fund. Unless expressly stated otherwise, shareholders are not parties to, or intended beneficiaries of these contractual arrangements, and these contractual arrangements are not intended to create any shareholder right to enforce them against the service providers or to seek any remedy under them against the service providers, either directly or on behalf of the fund.

Under the Trust's By-Laws and Declaration of Trust, any claims asserted against or on behalf of the MFS Funds, including claims against Trustees and Officers, must be brought in state and federal courts located within the Commonwealth of Massachusetts.

## FEDERAL TAX INFORMATION (unaudited)

The following information is provided pursuant to provisions of the Internal Revenue Code.

The fund designates \$3,097,000 as capital gain dividends paid during the fiscal year.

For corporate shareholders, 100.00% of the ordinary income dividends paid during the fiscal year qualify for the corporate dividends received deduction.

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