

Natixis/Loomis Sayles Large Cap Growth Strategy



QUARTERLY PORTFOLIO COMMENTARY

US equity markets moved higher in the first quarter as the Fed continued their holding pattern on overnight interest rates. Inflation continued to moderate, although it remains a key watchpoint along with a backdrop of greater geopolitical unease heading into a fall US election. The US economy has exhibited resilience with robust unemployment levels and strong GDP growth. Investors have piled into risk assets as potential Fed rate cuts, combined with more stable economic data, suggest a soft landing scenario. Annual US inflation was 3.5% in March, up slightly from February. Unemployment moderated at 3.8% in March, maintaining historically robust levels. United States GDP rose by an annualized rate of 3.4% in the fourth quarter of 2023. The S&P 500[®] Index rose (+10.6%) for the quarter with broadly positive results. Communication Services (+15.8%), Energy (+13.7%), Information Technology (+12.7%), Financials (+12.5%), and Industrials (+11.0%) were the top performers during the quarter. Real Estate (-0.6%) was the only negative returning sector during the quarter. Growth and large cap outperformed value and small cap during the quarter, although value rallied late in the period. The Russell 1000[®] Growth Index (+11.4%) outperformed the Russell 1000[®] Value Index (+9.0%), and the Russell 1000[®] Index (+10.3%) outperformed the Russell 2000[®] Index (+5.2%).

The Natixis/Loomis Sayles Large Cap Growth Strategy rose in value during the quarter and outperformed the Russell 1000[®] Growth Index, gross of fees and net of fees. Security selection drove relative outperformance while sector allocation was also a contributor. Strong security selection in information technology and communication services were the largest positive contributors, while selections made in industrials, consumer discretionary, health care, and financials detracted from relative return. From a sector allocation perspective, an overweight to communication services and an underweight to real estate positively contributed to relative return, while a significant underweight to information technology was a modest headwind.

QTD Top/Bottom contributors to relative performance:

- The most significant relative contributors were: Apple (not owned), Meta, NVIDIA, Disney, and Netflix.
- The most significant relative detractors were: Boeing, Tesla, Eli Lilly, Shopify, and Expeditors International of Washington.

Trades & Positioning:

- At the end of the quarter, the largest overweight sector was communication services, while the largest underweight sector was information technology.
- There were no new purchases and one full sellout during the trailing three months ended February 2024. The full sellout was Sandoz Group.

Markets have soared to new highs with better than expected economic growth as investors remain upbeat on the economic outlook. Inflation, monetary policy, and the trajectory of the US economy are watchpoints for investors. While economic data and investor sentiment have been strong, uncertainties linger. Geopolitical and macroeconomic weakness may continue to drive market volatility and dispersion. The resulting market environment has increasingly proven challenging to navigate. We continue to believe that active fundamental research combined with investment discipline, provides an attractive way to navigate market uncertainty.

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