

Natixis/Loomis Sayles SMID 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 SMID strategy rose in value and outperformed the Russell 2500®, gross of fees and net of fees. Strong security selection was the primary driver of outperformance, while sector allocation was also a positive contributor during the quarter. Securities selected in utilities, information technology, financials, health care, and materials were the largest positive contributors, partially offset by negative selection in real estate and consumer discretionary. From a sector allocation perspective, an underweight to real estate and an overweight to industrials positively contributed to relative return, while a modest overweight to communication services and an underweight to consumer discretionary detracted from results.

QTD Top/Bottom contributors to relative performance:

- The top 5 relative contributors were Super Micro Computer, Vistra, Tenet Healthcare, Core & Main Inc, and Eagle Materials.
- The bottom 5 relative detractors were Concentrix, Churchill Downs, MicroStrategy, United States Cellular, and Teledyne Technologies.

Trades & Positioning:

- At the end of the quarter, the largest overweight sector was industrials, while the largest underweight sector was financials.
- There were five new purchases and seven eliminated positions during the trailing three months ended February 2024. The new purchases were Core & Main Inc, GFL Environmental, Roivant Sciences, Talen Energy, and Check Point Software. The full sellouts were Ferguson, Genpact, Hologic, Liberty Broadband, Mural Oncology, NCR Atleos, and NCR Voyix.

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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The **S&P 500® Index** is an unmanaged index of US common stocks frequently used as a measure of stock market performance. The **Russell 1000® Growth Index** is an unmanaged index consisting of those companies in the Russell 1000® Index with higher than average price-to-book ratios and forecasted growth. The **Russell 1000® Value Index** is an unmanaged index consisting of those companies in the Russell 1000® Index with lower than average price-to-book ratios and forecasted growth. The **Russell 1000® Index** measures the performance of the 1,000 largest companies in the Russell 3000® Index. The **Russell 2000® Index** measures the performance of the small-cap segment of the US equity universe. The Russell 2000® is a subset of the Russell 3000® Index and includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The **Russell 2500™ Index** measures the performance of the 2,500 smallest companies in the Russell 3000® Index. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group. These indexes are referred to for comparative purposes only and are not necessarily intended to parallel the risk or investment approach of the accounts included in the composites or the accounts managed by Natixis Advisors. Indexes are unmanaged and not available for direct investment. You may not invest directly in an index. **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

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