NATIXIS INVESTMENT MANAGERS

SOLUTIONS

# Natixis Total Income Portfolio

Quarterly Update – 3/31/2025

## First Quarter 2025 Review

After a mixed fourth quarter for both equities and fixed income, domestic equities took a hit as market volatility continued due to growing uncertainty around policy and tariff announcements. Initial US market reaction up to Trump's inauguration was strong, reaching new all-time highs in mid-February, but fizzled out after a slew of executive orders commenced and tariff rumors began to ring out. Further worries about these inflationary policies drove Treasurys higher, which led to domestic equities wiping out their entire post-election gains in March. Retreats from US allocations within equity moved into international plays, where both equity and fixed income exposures outperformed. Even with the retreat in US equities and a hot print on January CPI data, guidance from the US Federal Reserve around rates remained unchanged for the quarter, staying in their planned "hawkish" approach. Heading into the second quarter, this will be a focal point as probabilities for more cuts moved further out of favor, given mixed economic numbers and a decline in consumer confidence in the first quarter. A firmer-than-expected stance by Trump on tariffs could also see these recent trends continue, along with the potential to prolong inflationary impacts.

- The S&P 500® Index was down in the first quarter, returning -4.27%. Small-cap stocks (as measured by the Russell 2000 Index) were negative, down -9.48%.
- Internationally, the MSCI EAFE Index and MSCI Emerging Markets Index returned 6.86% and 2.93%, respectively.
- Interest rates fell during the quarter, with the 10-Year US Treasury yield moving -36 basis points, from 4.59% to 4.23%.
- The Bloomberg US Aggregate Bond Index finished in positive territory, up 2.78% for the quarter, while the Bloomberg US Corporate Investment Grade Index returned 2.31%.
- Return-seeking fixed income was slightly positive with the Bloomberg US Corporate High Yield Index returning 1.00% for the quarter.
- Global fixed income was positive as the Bloomberg Global Aggregate Bond Index increased 2.64% for the quarter.
- In liquid alternatives, the Wilshire Liquid Alternatives Index was up 0.76% for the quarter.

## Performance Review

- For the first quarter of 2025, the Total Income portfolio outperformed its benchmark.
- Asset allocation and style were the main contributors to excess returns in the Total Income model.
- Asset allocation was positive where overweights to high yield fixed income contributed positively to excess returns.
- Style selection was also positive and was the main driver of relative returns. This was driven by selections within International Developed equity, namely in broad Europe and international high dividend bets.
- Manager selection was slightly negative where underperforming selections in preferred equity detracted from relative returns, but was not enough to offset positive asset allocation and style selection.

# Natixis Total Income Portfolio

## Trade Review

- The Total Income model performed two sets of trades during the quarter.
  - On January 10, the model moved its equity allocation in line with the benchmark, funded by US and international developed equity, moving into long Treasurys, and initiating a new position in US inflation-protected securities.
  - On March 13, the model liquidated its allocation in preferred stocks and decreased high yield fixed income, while also moving underweight equity and further into intermediate US Treasurys and US inflation-protected securities.

## Current Positioning

- The model is underweight total equity, relative to the benchmark, while also underweight domestic large-cap equity. Domestic small-/mid-cap equity is neutral to the benchmark, while international developed and emerging markets equity is underweight.
- In fixed income, the model is underweight US investment-grade fixed income and overweight international fixed income, high yield and emerging markets USD debt. Within the US investment-grade fixed income sleeve, there is an overweight to US Treasurys.
- The model is slightly underweight duration at the portfolio level with tactical exposure concentrated in intermediate-maturity US Treasurys.
- While growth is slowly moderating, it is doing so from a high level while consumption is showing signs of retreating. Employment remained stabilized through the quarter, yielding slightly positive trends in forecasts for the remainder of the year.
- Inflation data was mixed as a hot print in January put a small damper on a disinflationary trend in Q4 2024. Further tariff implementations from the Trump administration run the risk of prolonging an inflationary cycle.
- The model is positioned for global bearish trends that are forming around tariffs and the potential for a domestic inflationary environment to continue. Opportunities could continue to present themselves if negative sentiments become oversold or priced in.
- With high yield and investment-grade corporate spreads near cycle tights, the model is positioned in US Treasurys to capture relative value and maintain high quality.

## Natixis Total Income Portfolio – Composite Performance Overview

| Average Annualized Total Returns† % (as of 3/31/2025) | 3 Months | YTD | 1 Year | 3 Years | 5 Years | Since Inception (11/2016) |
|---|---|---|---|---|---|---|
| Total Income Strategy (Gross) | 2.62 | 2.62 | 5.63 | 3.71 | 7.27 | 5.09 |
| Total Income Strategy (Net 3%) | 1.86 | 1.86 | 2.52 | 0.65 | 4.11 | 1.99 |
| Benchmark | 1.97 | 1.97 | 5.67 | 3.14 | 5.77 | 5.23 |

**Performance data shown represents past performance and is not guarantee of future results. Returns annualized for periods greater than one year. All performance referenced is historical and is no guarantee of future results.** The net performance is net of the expenses of underlying mutual fund and ETF holdings as well as a maximum annual fee of 3% that is applied prorated at month end. The gross performance is net of the expenses of underlying mutual fund and ETF holdings and does not include advisory, overlay, platform, investment management fees, investment advisory fees, custody fees or deductions for income taxes. The composite performance results shown for each model represent the performance of one fully discretionary, unconstrained, proprietary separate account managed by Natixis Advisors, LLC in accordance with the model. This account originally funded the model portfolios and is being used to maintain the performance track record. The returns shown include reinvestment of dividends, capital gains, income and/or earnings distributed from the underlying holdings. Natixis established seed accounts and the accounts were charged commissions for certain trades, thus lowering portfolio returns compared to calculating performance based on an asset-based (bundled) fee which impacted the Total Income portfolio. The higher commission trading fees for seed accounts has been replaced with an asset-based (bundled) fee arrangement when calculating pure gross returns, and net-of-fee returns are reduced by the model bundled fee 3%.Individual client portfolio results may differ depending on a number of factors including, but not limited to, timing of cash flows and account level investment restrictions. The returns for the portfolio were obtained during a period of fluctuating interest rates, bond prices, and stock prices, and should not be considered representative of the returns you could expect to realize from any future investment in the portfolio. The underlying holdings contained in, or the investment strategies followed with respect to the portfolio may have changed materially during the time period portrayed and may not relate to the type of securities or advisory services currently offered. As market conditions can fluctuate suddenly and frequently the portfolio holdings and investment mix may change which can result in an investor's performance deviating from the performance portrayed.

Source: Natixis Investment Managers Solutions and FactSet.

## Additional Information

As of 9/30/24, the benchmark for Natixis Total Income is 20% MSCI All Country World® Index and 80% Bloomberg U.S. Aggregate Bond® Index.

As of 12/31/2024, the strategy name was changed from Natixis Risk Efficient Income to Natixis Total Income.

The holdings, characteristics and performance of individual client portfolios managed by third party advisors may be different from the holdings, characteristics and performance information presented in this report. As the portfolio is actively managed, its portfolio holdings are subject to change. At any date any particular account may include securities not held in the model portfolio. The Portfolio's account performance is likely to differ from the performance shown for a variety of reasons, including but not limited to: the client's investment manager, and not Natixis Advisors, LLC, is responsible for implementing trades in Program accounts; differences in market conditions; client-imposed investment restrictions; the timing of client investments and withdrawals; fees payable by Natixis Total Income Portfolios accounts; and/or other factors.

The views and opinions expressed may change based on market and other conditions. This material is for informational purposes only. It does not provide individually tailored investment advice and should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It has been prepared without regard to the individual financial circumstances and objectives of a specific investor, and the strategies discussed herein are not appropriate for all investors. It is the responsibility of each Financial Advisor to make recommendations that they believe are in the best interest of each of their clients, based on his/her investment objectives, financial situation, risk tolerance and investment time horizon.

**Benchmark Compositions**: The Income Benchmark is composed of 20% MSCI ACWI® Index / 80% Bloomberg U.S. Aggregate Bond® Index. Index returns are presented as a general indicator of market performance during the periods depicted. Index performance is not indicative of the performance of any investment and do not reflect fees, expenses, or sales charges. The index composition may not reflect the manner in which the portfolio is constructed and portfolio characteristics including volatility, risk and return features may deviate from those of the benchmark.

The ability to select an index for comparison may make the results of the portfolio look comparatively more favorable than if another index had been selected. All indexes are unmanaged and cannot be invested into directly.

Definitions: The **MSCI All Country World® Index** ("MSCI ACWI") is a free float-adjusted market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI® is comprised of stocks from 23 developed countries and 24 emerging markets. The **Bloomberg U.S. Aggregate Bond® Index** is a broad-based index that covers the U.S.-dollar-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, government-related, corporate, mortgage-backed securities, asset-backed securities, and collateralized mortgage-backed securities sectors. You may not invest directly in an index.

## Additional Information

**RISKS:**

All securities are subject to risk, including possible loss of principal. Please read the risks associated with each investment prior to investing. Detailed discussions of each investment's risks are included in the prospectus or offering document, which can be obtained from the fund family's website. There is no assurance that any investment will meet its performance objectives or that losses will be avoided. Diversification and asset strategies do not guarantee a profit or protect against a loss. There is no guarantee that an underlying fund will distribute dividends.

The investments highlighted in this document may be subject to certain additional risks, including but not limited to: Exchange-Traded Funds (ETFs) trade like stocks, are subject to investment risk, and will fluctuate in market value. Unlike mutual funds, ETF shares are not individually redeemable directly with the Fund, and are bought and sold on the secondary market at market price, which may be higher or lower than the ETF's net asset value (NAV). Transactions in shares of ETFs will result in brokerage commissions, which will reduce returns. Equity securities are volatile and can decline significantly in response to broad market and economic conditions. Foreign and emerging market securities may be subject to higher volatility than US securities, due to varying degrees of regulation and limited liquidity. These risks are magnified in emerging markets. Currency exchange rates between the US dollar and foreign currencies may cause the value of the portfolio's investments to decline. Interest rate risk is a major risk to all bondholders. As rates rise, existing bonds that offer a lower rate of return decline in value because newly issued bonds that pay higher rates are more attractive to investors. Concentrated investments in a particular region, sector, or industry may be more vulnerable to adverse changes in that industry or the market as a whole. Value investing carries the risk that a security can continue to be undervalued by the market for long periods of time. Growth stocks may be more sensitive to market conditions than other equities as their prices strongly reflect future expectations. Fixed income securities may carry one or more of the following risks: credit, interest rate (as interest rates rise bond prices usually fall), inflation and liquidity. Mortgage-related and asset-backed securities are subject to the risks of the mortgages and assets underlying the securities. Other related risks include prepayment risk, potentially resulting in the reinvestment of the prepaid amounts into securities with lower yields. Below investment grade fixed income securities may be subject to greater risks (including the risk of default) than other fixed income securities. Inflation protected securities move with the rate of inflation and carry the risk that in deflationary conditions (when inflation is negative) the value of the bond may decrease. Floating rate loans are often lower-quality debt securities and may involve greater risk of price changes and greater risk of default on interest and principal payments. Options may be used for hedging purposes, but also entail risks related to liquidity, market conditions and credit that may increase volatility.

Natixis Advisors, LLC ("Natixis Advisors") will act as investment adviser for the Total Income Model Portfolio. The Portfolios' marketing and sales support agent is Natixis Advisors and the distributor of certain underyling affiliated fund components of the Portolio is Natixis Distribution, LLC. Natixis Advisors and Natixis Distribution, LLC are wholly-owned subsidiary of Natixis Investment Managers, LLC.

Natixis Advisors provides discretionary advisory services through its division Natixis Investment Managers Solutions. Discretionary advisory services are generally provided with the assistance of model portfolio providers, some of which are affiliates of Natixis Investment Managers.



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