

Natixis/Loomis Sayles Global Growth ADR Strategy



QUARTERLY PORTFOLIO COMMENTARY

Global equity markets fell (MSCI World: -1.8%) during the quarter, as strong returns from both international developed (MSCI EAFE: 6.9%) and emerging markets (MSCI EM: 2.9%) were offset by negative returns in US markets (S&P 500®: -4.3%) as markets continue to digest the tariff-driven volatility. The Fed held rates steady, maintaining the 4.25%–4.50% range at both the January and March FOMC meetings. Although inflation expectations rose, annual US inflation continued to moderate, with a reading of 2.8% in February, while the unemployment rate came in at 4.2% in March. United States GDP rose by an annualized rate of 2.4% in the fourth quarter of 2024, down slightly from 2.8% in the third quarter. The Atlanta Fed's GDPNow model estimates a 2.8% contraction in first quarter GDP, based on data available through the end of March. The MSCI All Country World Index fell (-1.3%) in the first quarter, and the best performing sectors were energy (+9.3%), utilities (+6.7%), and financials (+6.1%). The worst performing sectors were information technology (-11.7%), consumer discretionary (-7.6%), and communication services (-2.0%). The Europe ex UK, United Kingdom, and Emerging Markets showed strength, while the United States and Middle East experienced declines.

The Natixis/Loomis Sayles Global Growth portfolio fell in value and underperformed the MSCI All Country World Index gross and net of fees. Underperformance was primarily driven by sector allocation, as stock selection was flat. Looking at sector allocation, an overweight to consumer discretionary, an underweight to financials, and a lack of exposure to energy detracted. An underweight to information technology and an overweight to healthcare contributed to results. In terms of stock selection, securities selected in consumer staples, healthcare, and communication services contributed. Securities selected in financials and consumer discretionary were a drag on relative return.

Quarter-to-date top/bottom contributors to relative performance:

- The most significant relative contributors were MercadoLibre, Not owning NVIDIA, Tencent, Alibaba, and Novartis.
- The most significant relative detractors were Tesla, Alphabet, Oracle, Amazon, and Novo Nordisk.

Trades and positioning:

- At the end of the quarter, the largest overweight sector was communication services, while the largest underweight sector was financials.
- There was one new purchase and no new sales in the three months ended February 2025. The new purchase was LVMH Moët Hennessy Louis Vuitton ADR.

Global markets faced increased volatility in the first quarter, as tariff-driven economic and geopolitical concerns have risen to the forefront. Resulting recession risks, unemployment uncertainty, weakening consumer sentiment, and sticky inflation may spur further volatility. 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.

Performance data shown represents past performance and is no guarantee of future results.

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Natixis Distribution, LLC and Natixis Advisors, LLC are located at 888 Boylston Street, Suite 800, Boston, MA 02199-8197. 800-862-4863. im.natixis.com

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