

Natixis/Loomis Sayles Global Growth ADR Strategy



QUARTERLY PORTFOLIO COMMENTARY

Global equity markets continued to move higher in the second quarter, although leadership of a few mega cap stocks continued to be the dominant theme. The Fed continued their holding pattern on overnight interest rates, now signaling a single rate cut later this year as their base case. Inflation continued to soften, although it remains above target. It remains a key watchpoint along with a backdrop of greater geopolitical unease heading into a fall US election. The US economy has had resilient growth and historically low unemployment levels. As Q2 brought more normalized economic data, investors are increasingly expecting a soft landing. Annual US inflation was 3.3% in May, down slightly from Q1 levels and unemployment rose only slightly to 4.0%. United States GDP rose by an annualized rate of 1.4% in the first quarter of 2024, significantly lower than last year's robust growth. The MSCI World Index rose (2.7%) over the quarter while the MSCI Emerging Markets Index rose (5.3%). The MSCI All Country World Index rose (2.9%). The best-performing sectors over the quarter were Information Technology (+11.4%), Communication Services (+8.0%), and Utilities (+3.2%). The worst-performing sectors were Materials (-3.4%), Real Estate (-3.2%), and Consumer Discretionary (-2.3%). North America, United Kingdom, and Latin America showed strength, while Asia, Middle East, and Japan experienced declines.

The Natixis/Loomis Sayles Global Growth portfolio rose in value and outperformed the MSCI All Country World Index gross of fees (net of fee performance was in line with the benchmark). Outperformance was primarily driven by sector allocation, while stock selection was a positive contributor. Looking at sector allocation, a significant overweight to Communication Services, and underweights to Materials and Financials positively contributed to relative return. An overweight to Consumer Discretionary, and an underweight to Information Technology detracted from results. In terms of stock selection, securities selected in Consumer Discretionary, Health Care, and Communication Services were the largest positive contributors. Security selection in Financials, Information Technology, and Consumer Staples was a drag on relative return.

QTD Top/Bottom contributors to relative performance:

- The most significant relative contributors were: Alnylam Pharmaceuticals, Alphabet, ARM Holdings, Tencent Holdings, and Oracle.
- The most significant relative detractors were: Adyen, NVIDIA (not owned), Apple (not owned), Shopify, and CRISPR Therapeutics.

Trades & Positioning:

- At the end of the quarter, the largest overweight sector was communication services, while the largest underweight sector was financials.
- There were no new purchases or full sellouts during the trailing three months ended May 2024.

Year to date, the strategy rose in value but underperformed the benchmark gross and net of fees. Underperformance was primarily driven by security selection, while sector allocation was a positive contributor. Securities selected in Industrials, Financials, Consumer Staples, and Information Technology detracted from results. Stocks selected in Communication Services, Health Care, and Consumer Discretionary positively contributed to relative returns. From a sector allocation standpoint, an overweight to Communication Services, and underweights to Materials and Energy were the largest contributors. On the other hand, an overweight to Consumer Discretionary and an underweight to Information Technology detracted from relative returns.

YTD Top/Bottom contributors to relative performance:

- The top 5 relative contributors were Meta Platforms, ARM Holdings, Netflix, Novo Nordisk, and Alphabet.
- The bottom 5 relative detractors were NVIDIA (not owned), Boeing, Shopify, Ambev SA, and Tesla.

Markets have performed well thus far in 2024, although gains leveled off during Q2. Traditionally markets have reacted positively in election years, although slowing GDP growth, inflation, and future monetary policy remain key concerns for investors. With these uncertainties, ongoing geopolitical tensions and macroeconomic weakness may spur market 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, and not necessarily indicative of, future results.

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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 **NASDAQ Composite** includes 100 of the largest domestic and international non-financial companies listed on the Nasdaq Stock Market based on market capitalization. The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies including investment companies. The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The **MSCI World Index** is an unmanaged index that is designed to measure the equity market performance of developed markets. It is composed of common stocks of companies representative of the market structure of developed market countries in North America, Europe, and the Asia/Pacific Region. The index is calculated without dividends, with net or with gross dividends reinvested, in both US dollars and local currencies. 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 composed of stocks from 23 developed countries and 24 emerging markets. The **MSCI Emerging Markets Index** is an unmanaged index that is designed to measure the equity market performance of emerging markets. 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.

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