

Natixis/Loomis Sayles SMID Strategy



QUARTERLY PORTFOLIO COMMENTARY

US equity markets moderated their growth in the fourth quarter with the S&P 500[®] Index and Dow Jones Industrial Average gaining 2.4% and 0.9%, respectively. The Fed continued to ease in line with market expectations, cutting rates by 25bps at both the November and December FOMC meetings, but indicating fewer rate cuts in 2025 due to persistent inflation and steady economic growth. The federal funds target rate ended the year at 4.25%-4.50%, a full 100bps lower than its 2024 peak. Annual US inflation continued to moderate from highs set in 2022, with a reading of 2.7% in November, and the unemployment rate held steady at 4.2%. United States GDP rose by an annualized rate of 2.8% in the third quarter of 2024, down from 3.0% in the second quarter. Within the S&P 500[®], Consumer Discretionary (+14.2%), Communication Services (+8.8%), and Financials (+7.0) were the top contributing sectors while Materials (-12.6%), Healthcare (-10.4%), and Real Estate (-8.2%), were the largest detractors. Growth sharply outperformed value over the quarter, as the Russell 1000[®] Growth Index (+7.1%) outperformed the Russell 1000[®] Value Index (-2.0%), and the Russell 1000[®] Index (+2.8%) outperformed the Russell 2000[®] Index (+0.3%).

Quarter to date, the Natixis/Loomis Sayles SMID strategy fell in value and underperformed the Russell 2500[®] gross and net of fees. Security selection drove relative underperformance, and sector allocation also detracted from results. Securities selected in Financials, Healthcare, Energy, and Consumer Staples were the largest detractors, partially offset by positive selections in Utilities, Communication Services, and Consumer Discretionary. From a sector allocation perspective, an underweight to Financials and an overweight to Healthcare detracted from relative returns, while an underweight to Real Estate and Materials contributed to results.

QTD Top/Bottom contributors to relative performance:

- The top five relative contributors were Telephone and Data Systems, Vistra Corp, Chart Industries, Intapp, and Five9.
- The bottom five relative detractors were Tenet Healthcare, ICON, PulteGroup, Option Care Health, and Avantor.

Trades & Positioning:

- At the end of the quarter, the largest overweight sector was industrials, while the largest underweight sector was financials.
- There were eight new purchases and seven eliminated positions during the trailing three months ended November 2024. The five most significant new purchases by weight were TechnipFMC, Lithia Motors, Pinterest, Fluor Corp and Boot Barn. The five most significant full sellouts by weight were Leidos Holdings, Tractor Supply Co, Euronet Worldwide, Liberty Media SiriusXM Holdings, and Valaris Ltd.

Year to date, the strategy rose in value and outperformed the benchmark gross and net of fees. Strong outperformance was driven by security selection, while sector allocation was a slight detractor. Securities selected in Utilities, Healthcare, Materials, and Information Technology were the largest positive contributors to relative return. Selections in Energy, Financials, and Industrials detracted from results. From a sector allocation standpoint, an underweight to Financials and an overweight to Healthcare detracted, while underweights to Materials and Real Estate contributed to results.

YTD Top/Bottom contributors to relative performance:

- The top five relative contributors were Vistra Corp, Super Micro Computer, Tenet Healthcare, Talen Energy, and Telephone and Data Systems.
- The bottom five relative detractors were Weatherford International, Option Care Health, Concentrix, ICON, and Atkore.

Markets performed well in 2024, as strong economic data and global central bank rate cuts buoyed risk assets. Traditionally markets have reacted positively in election years, and 2024 proved to be no different. Unemployment, consumer spending, and recession risks remain key concerns in 2025, and ongoing geopolitical tensions and macroeconomic weakness may spur additional volatility. The resulting market environment has proven increasingly 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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Definitions

The **S&P 500® Index** is an unmanaged index of US common stocks frequently used as a measure of stock market performance. **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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