

Natixis/Loomis Sayles SMID Strategy



QUARTERLY PORTFOLIO COMMENTARY

US 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 its holding pattern on overnight interest rates, now signaling a single rate cut later this year as its 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 slightly to 4.0%. US GDP rose by an annualized rate of 1.4% in the first quarter of 2024, significantly lower than last year's robust growth. The S&P 500[®] Index rose (4.3%) for the quarter, with broadly positive results. Information Technology (+13.8%), Communication Services (+9.4%), and Utilities (+4.7%) were the top performers during the quarter. Materials (-4.5%), Industrials (-2.9%), Energy (-2.4%), and Real Estate (-0.6%) were the top detracting sectors during the quarter. Growth substantially outperformed value over the quarter, with the Russell 1000[®] Growth Index (+8.3%) vs the Russell 1000[®] Value Index (-2.2%), and the Russell 1000[®] Index (+3.6%) outperformed the Russell 2000[®] Index (-3.3%).

Quarter to date (QTD), the Natixis/Loomis Sayles SMID strategy declined in value but outperformed the Russell 2500[®] gross of fees and net of fees. Strong security selection contributed to performance, while sector allocation was neutral during the quarter. Securities selected in healthcare, utilities, energy, industrials, and consumer discretionary were the largest positive contributors, partially offset by negative selection in financials, materials, and consumer staples. From a sector allocation perspective, an overweight to industrials and an underweight to real estate detracted from relative returns, while an underweight to consumer discretionary and an overweight to energy contributed to results.

QTD Top/Bottom contributors to relative performance:

- The top 5 relative contributors were Tenet Healthcare Corporation, Vistra Corp, United States Cellular Corp, United Therapeutics Corporation, and Lantheus Holdings Inc.
- The bottom 5 relative detractors were WEX Inc.; Liberty Media Corp - Liberty SiriusXM; Alight, Inc; Eagle Materials Inc; and Atkore Inc.

Trades and Positioning:

- At the end of the quarter, the largest overweight sector was industrials, while the largest underweight sector was information technology.
- There were seven new purchases and nine eliminated positions during the trailing three months ended May 2024. The new purchases were Ciena Corporation; UL Solutions Inc; Live Oak Bancshares Inc; Solventum Corporation; KBR, Inc; Fidelis Insurance Holdings Ltd; and HealthEquity.
- The full sellouts were Super Micro Computer, Inc, Utah Medical Products, Inc, Ciena Corporation, M&T Bank Corporation, Neogen Corp, Rexford Industrial Realty, Inc, Alkermes Public Limited Company, UL Solutions Inc, and ChampionX Corporation

Year to date (YTD), the strategy rose in value and outperformed the benchmark gross and net of fees. Outperformance was primarily driven by security selection, while sector allocation was also positive. Securities selected in utilities, health

care, information technology, and energy were the largest positive contributors to relative returns. Selections in real estate detracted. From a sector allocation standpoint, an overweight to energy and underweights to real estate and financials were positive contributors, while an overweight to communication services, an underweight to information technology, and an overweight to health care detracted from results.

YTD Top/Bottom contributors to relative performance:

- The top 5 relative contributors were Vistra Corp; Super Micro Computer, Inc; Tenet Healthcare Corporation; Tidewater Inc; and Leidos Holdings; Inc.
- The bottom 5 relative detractors were Liberty Media Corp - Liberty SiriusXM; Concentrix Corporation; Option Care Health Inc; J.B. Hunt Transport Services, Inc; and Teledyne Technologies Incorporated

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.

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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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