

Natixis/Mirova Global Sustainable Equity 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/Mirova Global Sustainable Equity ADR Strategy fell in value and outperformed the MSCI World Index gross and net of fees. Security selection was the driver of relative outperformance during the quarter, and sector allocation was also modestly additive. Securities selected in consumer discretionary, information technology, and utilities were the largest contributors. On the other hand, selections made in healthcare and materials detracted from results. From a sector allocation perspective, overweights to healthcare, utilities, and materials contributed to returns. An overweight to information technology, a lack of exposure to energy, and an underweight to consumer staples detracted from relative return.

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

- The top 5 relative contributors were Iberdrola SA, Not owning Tesla, Not owning Apple, eBay, and Roper Technologies.
- The bottom 5 relative detractors were Novo Nordisk, Taiwan Semiconductor, First Solar, Salesforce, and Danaher.

Trades and positioning:

- At the end of the quarter, the largest overweight sector was healthcare while the largest underweight sector was communication services.
- There were two new purchases and one full sellout during the trailing three months ended February 2025. The new purchases were TJX Companies and First Solar. The full sellout was Adobe Inc.

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.

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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. **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 nonfinancial 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 All Country World Index ex US** is a free float-adjusted market-capitalization index that is designed to measure equity market performance in the global developed (excluding the USA) and emerging markets. The index is shown with minimum dividend reinvested after deduction of withholding tax. The **MSCI Emerging Markets Index** is an unmanaged index that is designed to measure the equity market performance of emerging markets. The **MSCI All Country World Index** is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and 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. You may not invest directly in an index.

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NIM-05072025-rdvrlnra
Exp. 8/15/25
P-NMGSEADR03-0325