

## Natixis/Mirova Global Sustainable Equity 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/Mirova Global Sustainable Equity ADR Strategy rose in value and outperformed the MSCI World Index gross of fees (lagged net of fees). Security selection was the driver of relative outperformance during the quarter, while sector allocation was a detractor. Securities selected in health care, information technology, and utilities were the largest positive contributors. On the other hand, selections made in financials and industrials detracted from results. From a sector allocation perspective, a lack of exposure to communication services, and an overweight to materials were the largest detractors. An underweight to energy and an overweight to information technology were additive to relative return.

QTD top/bottom contributors to relative performance:

- The top five relative contributors were Taiwan Semiconductor, Eli Lilly and Company, Novo Nordisk, NVIDIA, and Palo Alto Networks.
- The bottom five relative detractors were Apple (not owned), Adyen, Vestas Wind Systems, Mastercard, and Watts Water Technologies.

Trades and positioning:

- At the end of the quarter, the largest overweight sector was health care, while the largest underweight sector was communication services.
- There were two new purchases and one full sellout during the trailing three months ended May 2024. The new purchases were Accenture PLC and Canadian Pacific Kansas City Limited. The full sellout was Takeda Pharmaceutical Co.

Year-to-date, the strategy rose in value and outperformed the benchmark gross and net of fees. Security selection was the driver of relative outperformance, while sector allocation detracted modestly year-to-date. Securities selected within health care, information technology, and materials were the largest positive contributors. On the other hand, selections in financials and industrials were detractive for relative return. From a sector allocation perspective, an underweight to communication services, and overweights to materials and health care were the largest detractors. Underweights to consumer staples and energy were additive.

YTD top/bottom contributors to relative performance:

- The top five relative contributors were NVIDIA, Taiwan Semiconductor Manufacturing, Novo Nordisk, Eli Lilly, and eBay.
- The bottom five relative detractors were Vestas Wind Systems, Aptiv PLC, Adobe, AIA Group, and Watts Water Technologies.

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.** The commentary reflects the opinions of the commentators as of the date indicated. This commentary is a service provided to customers of Natixis Advisors, LLC (“Natixis Advisors”) for informational purposes. We believe the information contained in this commentary is reliable, but do not guarantee its accuracy. This economic overview is provided for informational purposes only and is not meant as investment advice. Reference to specific securities or industries should not be considered recommendations or advice for individual investors. The reader should not assume that an investment in these securities was or will be profitable. A complete list of all past recommendations made within the immediately preceding 12-month period is available upon request. There is no assurance that any predictions or projections will occur. This material is dated as indicated, and opinions and viewpoints may change as economic conditions change.

**Investment Risks:** All securities are subject to risk, including possible loss of principal. Please read the risks associated with each investment prior to investing. Detailed discussions of each investment’s risks are included in Part 2A of each firm’s respective Form ADV. The investments highlighted in this commentary may be subject to certain additional risks.

#### 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 **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 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.

This document may contain references to third-party copyrights, indexes, and trademarks, each of which is the property of its respective owner. Such owner is not affiliated with Natixis Investment Managers or any of its related or affiliated companies (collectively “Natixis”) and does not sponsor, endorse or participate in the provision of any Natixis services, funds or other financial products.

The index information contained herein is derived from third parties and is provided on an “as is” basis. The user of this information assumes the entire risk of use of this information. Each of the third-party entities involved in compiling, computing or creating index information disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to such information.

Actual holdings in client accounts may vary from the model portfolio. Natixis Advisors will combine the investment recommendations from the subadvisor with the ability to customize and tailor individual portfolios to meet clients’ specific needs, such as cash flows, tax issues and other needs. These recommendations will typically mirror those implemented by the subadvisor for its discretionary client portfolios, subject to differences relating to client guidelines, account size, tax needs and other factors. Portfolio transactions will be effected either by Natixis Advisors or the model portfolio provider. When effected by the model portfolio provider, transactions will be aggregated with those of its other clients in an effort to seek best overall execution. Significant dispersion may occur among the holdings and performance of the model portfolio, the client accounts managed by Natixis Advisors using the model portfolio, and the accounts managed by the model portfolio provider on a discretionary basis included in the institutional composite for a variety of reasons. Such reasons include differing account sizes, differing cash flows, the timing and terms of execution of trades,



individual client needs, and differing tax situations. The holdings, characteristics and performance of your portfolio may be different from the holdings, characteristics and performance information presented here in this report. For more complete information, please see Part II of Natixis Advisors' Form ADV.

Natixis Advisors, LLC provides discretionary advisory services through its division Natixis Investment Managers Solutions. Discretionary advisory services are generally provided with the assistance of model portfolio providers, some of which are affiliates of Natixis Investment Managers, LLC.

Natixis Distribution, LLC is a limited purpose broker-dealer and the distributor of various registered investment companies for which advisory services are provided by affiliates of Natixis Investment Managers.

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

**NOT FDIC INSURED • MAY LOSE VALUE • NO BANK GUARANTEE**

2523619.22.1  
Exp. 11/15/24  
P-NMGSEADR03-0624