

Natixis/Vaughan Nelson Mid Cap Strategy



QUARTERLY STRATEGY COMMENTARY

US Equity markets moderated their growth in the fourth quarter with the S&P 500® 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 25 basis points (bps) 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%. US 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, with the Russell 1000® Growth Index (+7.1%) vs. the Russell 1000® Value Index (-2.0%), and the Russell 1000® Index (+2.8%) outperformed the Russell 2000® Index (+0.3%).

The Natixis/Vaughan Nelson Mid Cap Strategy rose in value and outperformed the Russell Midcap® Value Index gross and net of fees. During the quarter, relative outperformance was driven by security selection, and sector allocation was also additive. Securities selected in industrials, consumer discretionary, and utilities contributed to results while selections in information technology, energy, and real estate detracted. Underweights to healthcare and materials contributed to returns, while a lack of exposure to communication services and an overweight to industrials detracted from results.

Quarter-to-date (QTD) top/bottom contributors to relative performance:

- The most significant relative contributors were Marvell Technology, Axon Enterprise, Royal Caribbean, Carnival Corp, and GE Vernova.
- The most significant relative detractors were Monolithic Power Systems, Kosmos Energy, EastGroup Properties, Toll Brothers, and Constellation.

Trades and Positioning:

- At the end of the quarter, the largest overweight sector was consumer discretionary, while the largest underweight sector was utilities.
- There were six new purchases and six full sellouts during the trailing three months ended November 2024. The five most significant new purchases by weight were GE Vernova, Helios Technologies, Domino's Pizza, Embraer SA, and Celestica Inc. The five most significant full sellouts by weight were Avery Dennison, IQVIA Holdings, Constellation, Cencora, and ON Semiconductor.

Year to date (YTD), the strategy rose in value and outperformed the benchmark gross and net of fees. Stock selection drove relative outperformance, and sector allocation was also additive. Investments in industrials, consumer discretionary, and utilities were the largest contributors to relative return, offset partially by underperforming names in real estate, information technology, and materials. From a sector-allocation perspective, an underweight to consumer staples, healthcare, and materials contributed, while an underweight to utilities and an overweight to information technology detracted from relative return.

YTD top/bottom contributors to relative performance:

- The most significant relative contributors were Vistra Corp., Royal Caribbean, Axon Enterprises, Marvell Technology, and Carnival Corp.

- The most significant relative detractors were Kosmos Energy, Constellium, MongoDB, Monolithic Power, and EastGroup Properties.

Markets performed well in 2024, as strong economic data and Global Central Bank rate cuts have 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.

Performance data shown represents past performance and is no guarantee 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.

The views and opinions expressed may change based on market and other conditions. This material is provided for informational purposes only and should not be construed as investment advice. There can be no assurance that developments will transpire as forecasted. Actual results may vary.

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 presentation 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 **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 Midcap® Value Index** is an unmanaged index that measures the performance of the mid-cap value segment of the US equity universe. It includes those Russell Midcap® Index companies with lower price-to-book ratios and lower forecasted growth values. 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. You may not invest directly in an index. 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.

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 model portfolio provider 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 model portfolio provider for its discretionary client portfolios, subject to differences relating to client guidelines, account size, tax needs and other factors. In most cases, Natixis Advisors expects to invest substantially in line with the recommendations provided by the model portfolio provider. 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 advisory services through its division Natixis Investment Managers Solutions. 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 Distribution, LLC and Vaughan Nelson Investment Management are affiliated.

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

NIM-01232025-lkb34v8a
Exp. 5/15/25
P-NVNMCM03-1224