LOOMIS SAYLES GLOBAL EQUITY OPPORTUNITIES:

A LONG-TERM, BEST-IDEAS APPROACH

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IN 2013, WE ASSUMED LEADERSHIP OF THE LOOMIS SAYLES GLOBAL EQUITY OPPORTUNITIES STRATEGY. WE WERE ENERGIZED BY THE OPPORTUNITY TO CONTINUE DELIVERING ON THE STRATEGY'S MANDATE: SEEKING ATTRACTIVE LONG-TERM RESULTS THROUGH A HIGHLY COLLABORATIVE, BEST-IDEAS APPROACH GROUNDED IN FUNDAMENTAL RESEARCH.

Our "go anywhere" philosophy can provide the flexibility to invest without constraints across sectors, regions and market capitalization and pursue potential opportunities wherever we find them.

MANAGER INSIGHT

AUGUST 2021

By diligently researching companies that exhibit our core alpha drivers, we have been able to identify companies that we believe can deliver outperformance for our investors. Aligning our risk budget with our core competency of security selection has helped us effectively manage risk within highly concentrated portfolios. In this paper, we will explore the key elements that drive the Global Equity Opportunities strategy.

Idea Generation: Targeting Alpha Drivers and Market Inefficiencies

Our goal is to find opportunities that align with our three alpha drivers: quality, intrinsic value growth, and valuation. We believe that targeting these alpha drivers allows us to capture two market inefficiencies that can lead to sustainable long-term outperformance:

"Duration effect:" We define the duration effect as a company's ability to add value over time through the compounding of its free cash flow (FCF) generation. Our quality and intrinsic value growth alpha drivers allow us to identify the potential for this duration effect to play out in each company.

Mispricing: The valuation alpha driver allows us to find companies whose current pricing does not reflect our projections for the company's long-term performance.

EXAMINING OUR THREE ALPHA DRIVERS

Our three alpha drivers serve as the pillars of our fundamental, bottom-up research process. Examining the characteristics we use to define each of these alpha drivers provides valuable insight into how we identify potential opportunities and assess a company's fit for our portfolios.

QUALITY

We first assess quality. We seek to understand a company's sources and sustainability of quality by specifically evaluating seven dimensions of quality: strong management, capital allocation, return on invested capital, business model, market structure, intangible assets and ESG (environmental, social and governance) factors. While not all dimensions need to be present, the business must demonstrate sufficient quality standards, as well as the ability to sustain them in the future, to be considered for the portfolio.

INTRINSIC VALUE GROWTH

We then analyze the company's potential for intrinsic value growth. We believe that FCF growth is a key driver of intrinsic value growth, and we assess five sources of FCF growth: revenue growth, margin expansion, corporate restructuring, capital intensity and capital allocation. Our goal is to identify businesses that leverage these metrics to produce FCF growth. To assess each company's FCF outlook, we study and forecast financial statements as well as ratios behind those statements, including return on equity, return on invested capital and capital utilization trends.

VALUATION

We use a proprietary discounted cash flow (DCF) methodology because we believe it is the most effective way to value high-quality companies that can grow their intrinsic value. The DCF methodology allows us to expressly forecast FCF over multiple years, capturing a company's competitive advantage period (CAP). We define the CAP as the number of years during which we can explicitly express our assumptions about the future progress of a business based on our understanding of a company's quality and ability to grow intrinsic value. Analysts construct base-, downside- and best-case valuation scenarios.

FINDING COMPANIES THAT MEET OUR CRITERIA

To identify companies that possess our targeted alpha drivers, we employ a fundamental, bottom-up research process that is defined by the following characteristics:

No constraints: We firmly believe that a best-ideas strategy must be supported by an approach that gives us the ability to search for potential equity opportunities wherever they exist across the investment universe. Our approach to research and portfolio construction is not limited by any sector, geography or style constraints.

Highly collaborative: We have built a team structure that supports our view that capital needs to be fungible across sectors, geographies and market capitalization in a best-ideas strategy. We have a minimum of three people involved in the research process for each stock—both portfolio managers and at least one analyst; the portfolio managers make the ultimate investment decisions unanimously. Importantly, all investment team members are compensated based on long-term strategy performance, rather than individual performance.

Concentrated: We invest only in our best ideas. This means that the strategy typically holds only 35 to 65 names. This approach allows us to fully understand and quantify the opportunities and risks of each company. Each analyst maintains a tracking list of 50 to 70 companies, which focuses and prioritizes our research process.

Continuous: While our research process is consistent, market conditions facing companies, their customers and their suppliers are constantly evolving. We continuously apply our research process to ensure that existing holdings maintain their alpha drivers, as well as to uncover new opportunities to consider adding to the portfolio.

Mitigating Risk: Spending Our Risk Budget on Our Core Competency

We believe that our risk budget should align with our core competency—conducting deep fundamental research. Therefore, we want idiosyncratic risk, or stock-specific risk, to be the largest factor in the portfolio because this is where we believe we have the ability to add value for our clients.

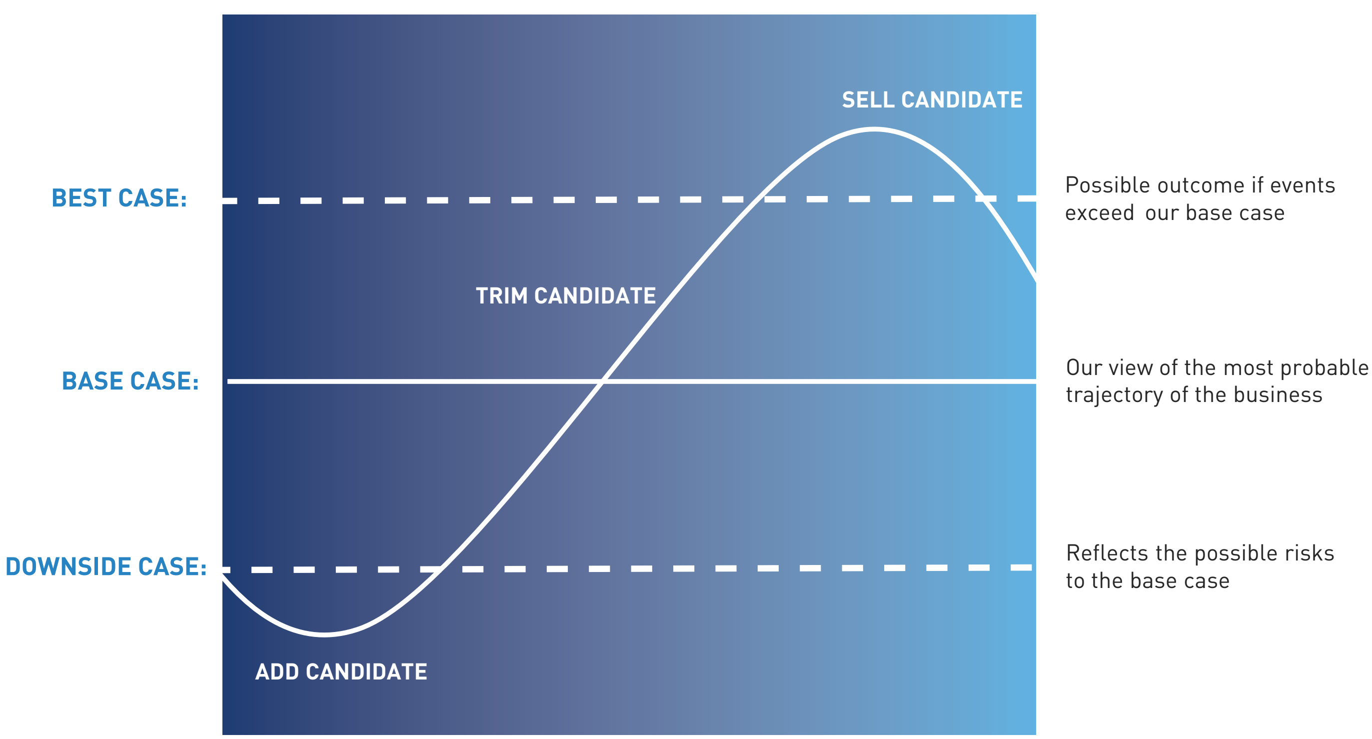
Our approach to risk management is centered on seeking to fully understand and manage idiosyncratic risk and ensuring that only companies that possess our core alpha drivers are included in the portfolio. We strengthen this approach through scenario analysis, a relative risk profile tool and diversifying among alpha drivers.

SCENARIO ANALYSIS

In addition to informing our view on valuation as an alpha driver, the scenario analysis that we perform for each company guides our decisions on individual position weighting. We believe that this is essential in helping us achieve an optimal portfolio.

The base case is our view of the most probable trajectory of the business; the downside case reflects the possible risks to the base case; and the best case is the possible outcome if events exceed our base-case assumptions. If we cannot quantify the risks facing the company, we will not make the investment. To establish these scenarios, we use our proprietary DCF methodology. The figure below provides an example of how assessing a company's current valuation relative to our projected downside-, base- and best-case scenarios guides our decision-making.

STOCK EXAMPLE



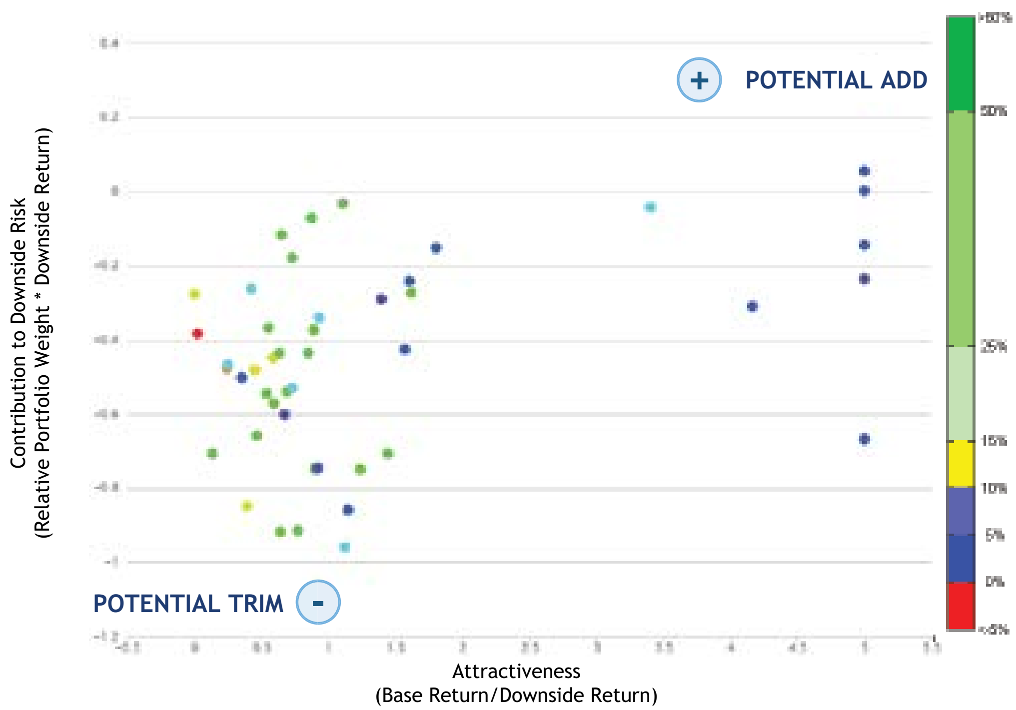
RELATIVE RISK PROFILE TOOL

We have developed a data visualization tool that assists us in the risk management process. The tool, as shown below, charts a stock's contribution to downside risk on the Y axis and its attractiveness (base-case/downside return) on the X axis. The tool assists us in determining the optimal position size for a security.

CONTRIBUTION TO DOWNSIDE RISK VS. ATTRACTIVENESS

Source: Loomis Sayles.

Chart is for illustrative purposes only as a sampling of risk management tool output. Some or all of this information on this chart may be dated, and, therefore, should not be the basis to purchase or sell any securities. Graphic is shown for illustrative purposes only to show downside risk vs. overall attractiveness. Dots represent actual stock holdings at a point in time.



DIVERSIFICATION AMONG ALPHA DRIVERS

Finding our best opportunities for risk-adjusted alpha is a leading driver of our portfolio positioning. Diversification is also a consideration, albeit a secondary one. While every stock we own possesses all three alpha drivers, some stocks may lean more heavily on one driver at any given time; our goal is to have a portfolio that is balanced among all three alpha drivers. We also strive for sector and geographic diversification. It is important to note, however, that we do not set sector or geographic limits; as mentioned above, we believe that doing so would limit our ability to pursue our best ideas.

Performance: Supported by Our Convictions

We believe the strategy's long-term outperformance versus the MSCI All Country World Index is the proof point of our approach.

COMPOSITE PERFORMANCE - TRAILING RETURNS AS OF 30 JUNE 2021

	1 YEAR	3 YEARS	5 YEARS	7 YEARS	10 YEARS
GLOBAL EQUITY OPPORTUNITIES (GROSS)	38.75%	19.30%	19.82%	14.27%	13.30%
GLOBAL EQUITY OPPORTUNITIES (NET)	38.17%	18.78%	19.29%	13.76%	12.72%
MSCI ALL COUNTRY WORLD INDEX	39.87%	15.14%	15.20%	10.32%	10.48%
EXCESS RETURN (NET)	-1.12%	4.16%	4.62%	3.97%	2.82%

Source: Loomis Sayles, MSCI. Returns for multi-year periods are annualized. Gross returns are net of trading costs. Net returns are gross returns less effective management fees. Returns may increase or decrease as a result of currency fluctuations. Returns for multi-year periods are annualized.

Past performance is no guarantee of future results.

The nature of this performance reflects the tenets of our investment philosophy and the consistency with which we have applied our research process. This is shown in the charts on the following page, which analyze characteristics of the strategy's performance for the period since we assumed portfolio management responsibilities in April 2013 through 31 December 2020.

CONTRIBUTIONS FROM MOST SECTORS

Historically, the strategy's performance drivers have been well diversified. Since 2013, every sector excluding consumer staples has provided a meaningful contribution to alpha.

PERFORMANCE ATTRIBUTION – 11 APRIL 2013 THROUGH 31 DECEMBER 2020 (%)

	REPRESENTATIVE ACCOUNT			MSCI AC WORLD INDEX (GROSS)			ATTRIBUTION ANALYSIS		
SECTOR	AVERAGE WEIGHT	TOTAL RETURN (GROSS)	CONTRIB. TO RETURN	AVERAGE WEIGHT	TOTAL RETURN (GROSS)	CONTRIB. TO RETURN	ALLOCATION EFFECT	SELECTION EFFECT	TOTAL EFFECT
CONSUMER DISCRETIONARY	15.17	19.28	2.94	11.89	14.19	1.69	0.05	0.70	0.75
HEALTH CARE	12.02	17.84	1.96	11.50	12.03	1.37	0.19	0.39	0.58
FINANCIALS	19.23	9.85	1.70	18.85	6.17	1.10	0.04	0.40	0.43
MATERIALS	4.95	14.12	0.73	5.24	6.65	0.32	0.16	0.20	0.36
ENERGY	3.30	-6.37	-0.13	6.85	-3.68	[illegible]	[illegible]	[illegible]	0.29
INFORMATION TECHNOLOGY	19.36	20.77	4.23	15.86	22.42	[illegible]	[illegible]	[illegible]	0.26
COMMUNICATION SERVICES	2.02	5.91	0.30	5.22	7.06	0.48	0.13	0.11	0.25
INDUSTRIALS	13.64	11.66	1.51	10.43	9.53	1.03	0.01	0.23	0.24
REAL ESTATE	0.80	1.68	0.02	1.73	1.83	0.05	0.13	0.06	0.19
UTILITIES	0.15	1.48	0.01	3.22	7.46	0.23	0.10	0.08	0.17
CONSUMER STAPLES	7.54	8.82	0.53	9.20	7.30	0.71	0.00	0.00	0.00
CASH	1.82	0.22	0.02	--	--	--	-0.03	--	-0.03
TOTAL	100.00	13.85	13.85	100.00	10.36	10.36	1.45	2.04	3.49

Majority of sectors have contributed to alpha

Source: Factset. Benchmark sectors reflect S&P sectors.

Data is gross of fees and expenses. For periods longer than one year, all returns are annualized. Attribution analysis is shown for a representative account as supplemental information. This representative account was selected because it closely reflects the Loomis Sayles Global Equity Opportunities investment style. Due to guideline restrictions and other factors, there is some dispersion for the returns of this representative account and other accounts managed in the Global Equity Opportunities style. Returns may increase or decrease as a result of currency fluctuations.

Past performance is no guarantee of future results.

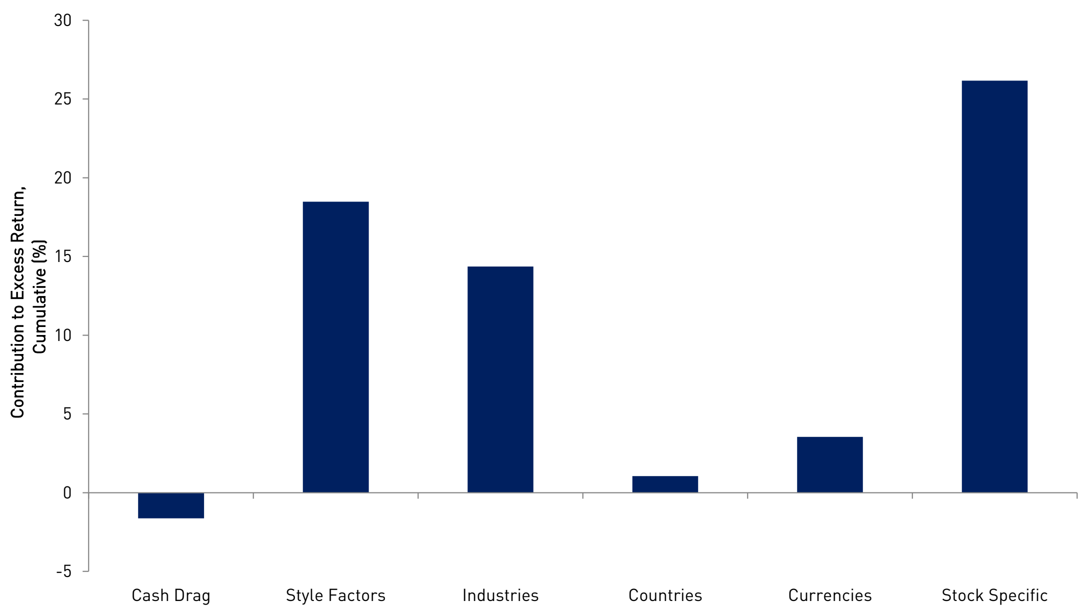
STOCK SELECTION IS THE PRIMARY DRIVER

In a best-ideas strategy, we believe stock selection should be the primary source of alpha. We have worked diligently to ensure that this is true for our portfolios. Factor attribution using the Barra risk models shows that the majority of relative performance has been attributed to stock-specific returns.

REPRESENTATIVE ACCOUNT CUMULATIVE ATTRIBUTION BY FACTOR CATEGORY

MAY 2013 - DECEMBER 2020

Factor attribution using the Barra risk models shows that the majority of relative performance has been attributable to stock-specific returns.



Source: Barra and Factset as of 31 December 2020.

Performance is shown for a representative account as supplemental information. Due to system limitations, it is difficult to analyze this data on a composite basis. This representative account was selected because it closely reflects the Loomis Sayles Global Equity Opportunities investment strategy. Due to guideline restrictions and other factors, there is some dispersion between the returns of this account and other accounts managed in the Global Equity Opportunities investment style.

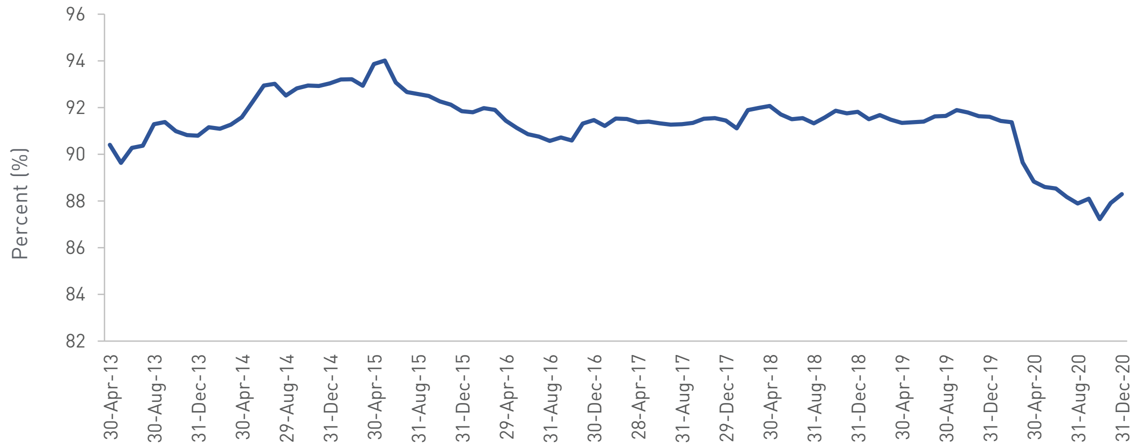
Past performance does not guarantee future results.

A DIFFERENTIATED PORTFOLIO

Since we began managing the portfolio in April 2013, our approach has consistently delivered a high-active-share[2] portfolio, with higher return on equity and less leverage relative to the benchmark.

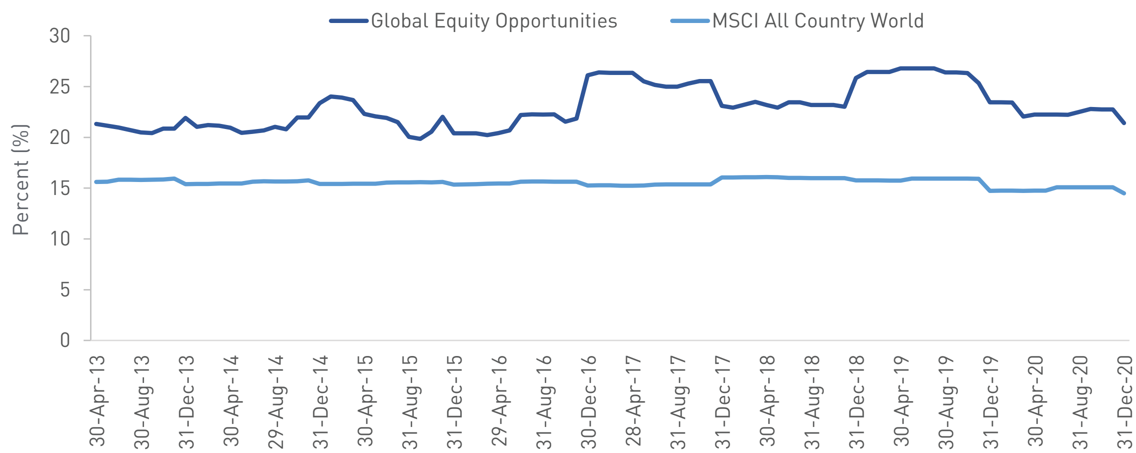
CONSISTENTLY HIGH ACTIVE SHARE

Source: Loomis Sayles and Factset, as of 31 December 2020.



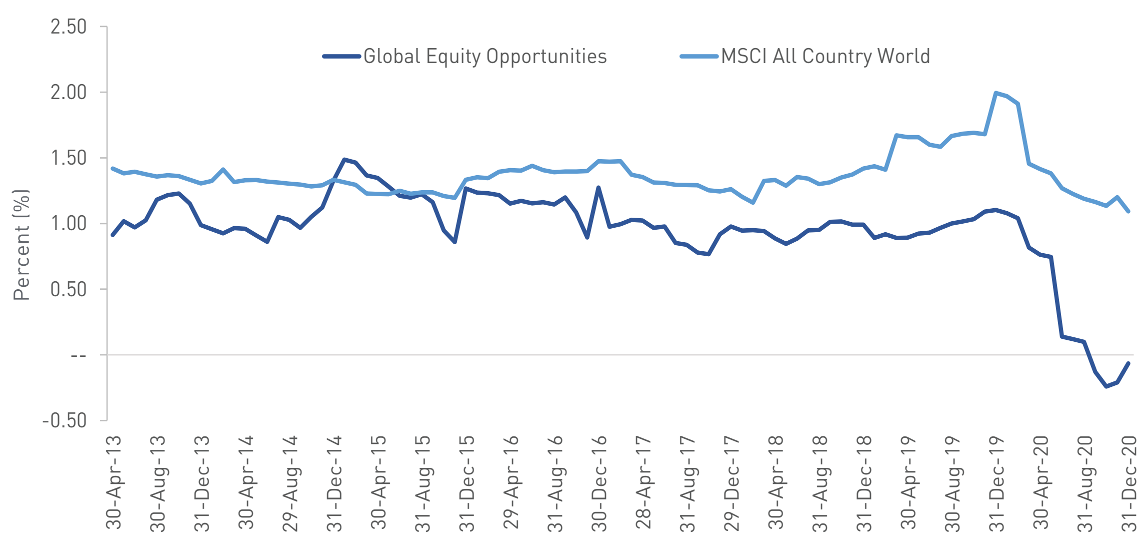
CONSISTENTLY HIGHER ROE VS. THE BENCHMARK

Source: Loomis Sayles and Factset, as of 31 December 2020.



GENERALLY LOWER DEBT VS. THE BENCHMARK

Source: Loomis Sayles and Factset, as of 31 December 2020.



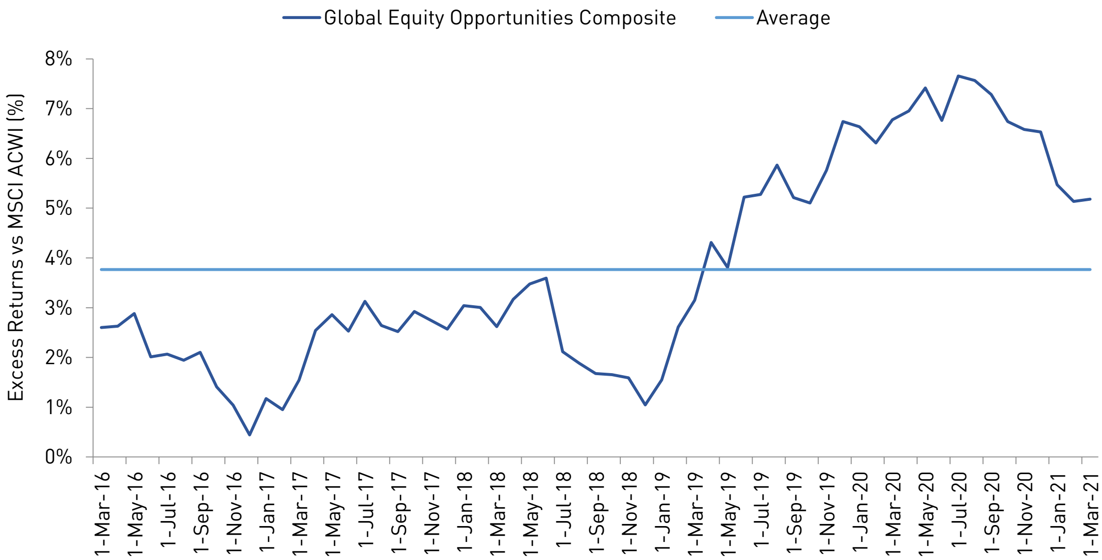
CONSISTENT OUTPERFORMANCE

The strategy has delivered consistent outperformance over the long term with an average rolling 36-month excess return of 3.77% since we began managing the portfolio in April 2013.

GLOBAL EQUITY OPPORTUNITIES EXCESS RETURNS (ROLLING 36 MONTH PERIODS)

Source: Loomis Sayles, as of 31 March 2021.

Past performance is no guarantee of future results.



Conclusion: Pursuing Our Best Ideas Through Deep Fundamental Research

We believe the consistent performance of the Global Equity Opportunities strategy is the result of our collaborative and disciplined investment process. By focusing on our three core alpha drivers—quality, intrinsic value growth, and valuation—and aligning our risk budget with our core competency of stock selection, we will continue building high-conviction, concentrated portfolios comprised of our best ideas.

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Endnotes

[1] Batting average is the measure of the manager's ability to consistently beat the market. It is calculated by dividing the number of months the manager beat the index by the total number of months in the period.

[2] Active share indicates the proportion of portfolio's holdings (by market value) that are different than the benchmark. A higher active share indicates a larger difference between the benchmark and the portfolio.

Disclosure

This paper is provided for informational purposes only and should not be construed as investment advice. Opinions or forecasts contained herein reflect the subjective judgments and assumptions of the authors only and do not necessarily reflect the views of Loomis, Sayles & Company, L.P. Investment recommendations may be inconsistent with these opinions. There is no assurance that developments will transpire as forecasted, and actual results will be different. Data and analysis does not represent the actual or expected future performance of any investment product. We believe the information, including that obtained from outside sources, to be correct, but we cannot guarantee its accuracy. The information is subject to change at any time without notice.

Characteristics and performance are shown for a representative account as supplemental information. Due to system limitations, it is difficult to analyze this data on a composite basis. This representative account was selected because it closely reflects the Loomis Sayles Global Equity Opportunities investment strategy. Due to guideline restrictions and other factors, there is some dispersion between the returns of this account and other accounts managed in the Global Equity Opportunities investment style. The Disclosure Statement at the end of this presentation displays performance, including dispersion, for the Loomis Sayles Global Equity Opportunities composite.

This information is supplemental to the Loomis Sayles Global Equity Opportunity material previously provided. For additional information, please request the most recent presentation book.

Diversification does not ensure a profit or guarantee against a loss. Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.

There is no guarantee that the investment objective will be realized or that the strategy will generate positive or excess return.

Past performance is no guarantee of future results.

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Additional Notes

All amounts shown are expressed in USD unless otherwise indicated.

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