NATIXIS INVESTMENT MANAGERS

Q3 | SEPTEMBER 30, 2020

AlphaSimplex Managed Futures Strategy Fund

ALPHASIMPLEX

QUARTERLY PORTFOLIO COMMENTARY

Market commentary

Volatility across global markets in the third quarter was down materially compared to the trailing two quarters. Around the end of August a clear, consistent change of sentiment took place as the outlook dimmed into the fourth quarter. Throughout the quarter, activity in commodities was the exception to the lower-volatility environment, as agricultural markets responded to strong technical factors and surged through the period. Otherwise, monetary and fiscal support fostered constructive sentiment for the reflation trade in July and August, which ultimately softened in September on higher virus case counts and geopolitical uncertainty.

The US dollar's steady weakening continued in the third quarter, reflecting a pervasive risk-on sentiment through the end of August. Most currencies appreciated against the dollar in the third quarter, with the exception of the Turkish lira and the Brazilian real, which carried their own unique, elevated geopolitical and public health-related risks. Concerns about inflation re-emerged this year following the unprecedented, coordinated, and renewed response by central banks and politicians, which also likely contributed to moves out of the US dollar in the first two months of the third quarter. After plunging dramatically in March, a standard market benchmark for inflation expectations (the 5-year, 5-year Forward Inflation Rate) steadily pushed above the important 2% level in August for the first time since May of last year, nurturing new debates about price stability amidst the Fed's new, more tolerant inflation policy.

In commodity markets, agricultural prices strengthened significantly in the third quarter, while energy showed downward price pressure and both precious and industrial metals moved up in an unusually correlated way. Both supply and demand factors in agricultural markets aligned, as severe weather combined with renewed expectations of stronger demand out of China pushed prices up sharply. Energy commodities reflected seasonality and more visibility into the uncertain outlook for economic recovery in the US.

Equities in the US came through the third quarter with the strongest returns among the largest developed markets around the world. The reflation trade pushed the S&P 500® Index to pre-pandemic levels, peaking on September 2 at 3,580. At the same time, European and Japanese markets remained well short of the highs both markets reached earlier in 2020. In the UK, snags in the Brexit negotiations and higher virus numbers pulled the FTSE 100 Index down to just under 5% for the quarter. The notable exception to the US outperformance was the substantially smaller Swedish stock market which gained just under 10% in the three months from June 30 to September 30.

Interest rates in developed markets were overwhelmed by the firm hand of central banks' execution of accommodative policies. However, the steady risk-on sentiment in US equities from June 30 to the beginning of September followed an increase in the 10-year benchmark US Treasury yield in a classic rotation out of the safety of US Treasuries and into the equity market. From its low on August 4 of 0.507%, the yield ran up to 0.752% in just over three weeks, only to trade in a lower, narrower range as stocks pulled back in the uniform change of sentiment that pervaded markets around the world at that time.

Explanation of Fund performance

AlphaSimplex Managed Futures Strategy Fund Class Y shares returned 2.71% during the third quarter of 2020, outperforming its benchmark, the Credit Suisse Managed Futures Liquid Index, which returned 1.12% for the quarter. It is important to note that there are material differences between the Fund and its benchmark. Another index that may be used for performance analysis is the SG Trend Index as it reflects a peer group of diversified, primarily trend-following investment managers. This benchmark returned -1.20% during the third quarter of 2020.

The third quarter saw continued volatility in markets; equity markets rallied overall as risk-on sentiment continued. Commodity markets continued to recover from lows earlier this year with the exception of energy markets which have seen a more muted recovery. One of the biggest moves in the third quarter was a weaker US dollar.

The Fund’s gains came primarily from long positions in equities; currencies, commodities, and fixed income also contributed positively. Long positions in fixed income provided gains as global yields continued lower. As the US dollar continued to weaken, the Fund moved from a roughly flat position at the beginning of the third quarter to a strong long position in foreign currencies (short US dollar), leading to gains overall. In commodities, long positions in both base and precious metals provided positive returns, while energies and agricultural commodities detracted from performance.

At the model level, all three approaches provided gains, with the basic multi-trend models underperforming the short-horizon and adaptive models. While modest, the contribution from the Fund’s money market holdings was positive over the quarter.

Risk management

The portfolio is managed to an annualized volatility target of 17% or less.[1] We scale portfolio positions as often as daily in an effort to keep total portfolio risk within its target range. As market volatility increases, position sizes are reduced, and as market volatility decreases, position sizes are increased. The Fund’s realized volatility during the quarter was 10.9%, consistent with our risk management objectives. We continue to scale the size of the Fund’s positions to keep total portfolio risk at or below its target.

Outlook

The general outlook for the fourth quarter is deeply uncertain. The resumption of the third quarter’s reflation trade is subject to ongoing risks posed by geopolitics and public health factors. Another dominant factor looming over markets is the outcome of the US presidential election – not just the election-day winner, but the expectation of a legal conflict over the results of mail-in voting. Beyond these, there are many more variables that carry a wide array of outcomes, including the US Supreme Court nomination, Brexit, virus data, economic recoveries, fiscal support, and civil unrest.

The discrete change to less-constructive market sentiment at the end of August and into September may represent a persistent trend in the fourth quarter as concerns outweigh constructive factors. The US dollar and Treasury markets would continue to benefit from that risk-off sentiment scenario. Credit spreads would also likely widen in response.

Inflation has moved back up the list of tail risks to markets. Owing to technological innovation and demographic shifts in the last decade, inflation has remained remarkably stable at a low level despite massive increases in money supply in the world’s largest economies. The combination of fresh exponential growth in money supply and trillions of dollars and euros in fiscal support flowing directly to consumers and small business owners has raised the specter of higher inflation and its implications for global markets and policy.

Average annualized total returns (%) † as of 9/30/2020

	3 months	YTD	1 year	3 years	5 years	10 years
Class Y	2.71	5.34	1.09	1.68	-0.50	2.37
Class A at NAV	2.63	5.18	0.77	1.43	-0.74	2.11
Class A with 5.75% maximum sales charge	-3.28	-0.81	-5.05	-0.54	-1.91	1.51
Credit Suisse Managed Futures Liquid Index	1.12	-4.46	-8.45	-3.44	-2.86	--
SG Trend Index	-1.20	-2.03	-5.84	1.93	-1.45	0.94

Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. Total return and value will vary, and you may have a gain or loss when shares are sold. Current performance may be lower or higher than quoted. For most recent month-end performance, visit im.natixis.com. Performance for other share

[1] The Fund seeks to target a relatively stable level of annualized volatility (as measured by standard deviation), but the targeted volatility is subject to change. There is no guarantee that the target will be achieved and the realized volatility level of the Fund can be higher or lower than its target volatility at any given point in time. Volatility is not an indicator of expected return or a measure of protection against loss.

classes will be greater or less than shown based on differences in fees and sales charges. †Performance for periods less than one year is cumulative, not annualized. Returns reflect changes in share price and reinvestment of dividends and capital gains, if any. You may not invest directly in an index.

Gross expense ratio 1.53% (Class Y share) / 1.79% (Class A share). Net expense ratio 1.45% (Class Y share) / 1.70% (Class A share). As of the most recent prospectus, the investment adviser has contractually agreed to waive fees and/or reimburse expenses (with certain exceptions) once the expense cap of the Fund has been exceeded. This arrangement is set to expire on 4/30/21. When an expense cap has not been exceeded, the gross and net expense ratios and/or yields may be the same. Not all share classes available for purchase by all investors. Class Y shares are available to institutional investors with a minimum initial investment of $100,000 and through certain wrap-fee programs, retirement plans, and investment advisory accounts with no minimum. See prospectus for more details.

Risks

Leverage can increase market exposure and magnify investment risk. **Futures and forward contracts,** like other derivatives, can involve a high degree of risk and may result in unlimited losses. Because they depend on the performance of an underlying asset, they can be highly volatile and are subject to market, credit, and counterparty risks. **Short exposures** using derivatives may present various risks. If the value of the asset, asset class or index on which the Fund holds short investment exposure increases, the Fund will incur a loss. The potential risk of loss from a short exposure is theoretically unlimited, and there can be no assurance that securities necessary to cover a short position will be available for purchase. **Equity securities** are volatile and can decline significantly in response to broad market and economic conditions. **Foreign and emerging market securities** may be subject to greater political, economic, environmental, credit, currency and information risks. Foreign securities may be subject to higher volatility than US securities, due to varying degrees of regulation and limited liquidity. These risks are magnified in emerging markets. **Commodity-related investments,** including derivatives, may be affected by a number of factors including commodity prices, world events, import controls, and economic conditions and therefore may involve substantial risk of loss. **Currency exchange** rates between the US dollar and foreign currencies may cause the value of the fund's investments to decline. **Interest rate risk** is a major risk to all bondholders. As rates rise, existing bonds that offer a lower rate of return decline in value because newly issued bonds that pay higher rates are more attractive to investors. **Concentrated** investments in a particular region, sector, or industry may be more vulnerable to adverse changes in that industry or the market as a whole.

Index definitions

The Credit Suisse Managed Futures Liquid Index seeks to gain broad exposure to the Managed Futures strategy using a pre-defined quantitative methodology to invest in a range of asset classes including equities, fixed income, commodities, and currencies. Relative performance for the Credit Suisse Managed Futures Liquid Index is not available prior to January 31, 2011, which is the inception date of the index.

SG Trend Index is equal-weighted, reconstituted, and rebalanced annually. The index calculates the net daily rate of return for a pool of Commodity Trading Advisors (CTAs) selected from the larger managers that are open to new investment. AlphaSimplex Group, LLC is part of this Index.

ASX SPI 200™ Index is the benchmark derivative product for investors trading and hedging in the Australian equity index market. SPI Futures enable investors to trade movements in the S&P/ASX 200 Index in a single transaction, allowing exposure to Australia's top 200 companies without having to buy or sell shares in every company in the index. SPI Futures are approved for trading by the US Commodities Futures Trading Commission (CFTC) and the UK Financial Services Authority (FSA). Volumes in the SPI Futures contract have grown significantly in recent years.

DAX Index is a stock index that represents 30 of the largest and most liquid German companies that trade on the Frankfurt Exchange. The prices used to calculate the DAX Index come through Xetra, an electronic trading system. A free-float methodology is used to calculate the index weightings along with a measure of average trading volume. The DAX was created in 1988 with a base index value of 1,000. DAX member companies represent roughly 75% of the aggregate market cap that trades on the Frankfurt Exchange.

The Dow Jones Euro Stoxx 50 Index® is Europe's leading Blue-chip index for the Eurozone, providing a Blue-chip representation of supersector leaders in the Eurozone. The index covers 50 stocks from 12 Eurozone countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.

The U.S. Dollar Index (USDX®) (also sometimes referred to as DXY) is a geometrically averaged calculation of six currencies weighted against the U.S. dollar.

The Hang Seng Index is a market capitalization-weighted index of 40 of the largest companies that trade on the Hong Kong Exchange. The Hang Seng Index is maintained by a subsidiary of Hang Seng Bank, and has been published since 1969. The index aims to capture the leadership of the Hong Kong exchange, and covers approximately 65% of its total market capitalization. The Hang Seng members are also classified into one of four sub-indexes based on the main lines of business including commerce and industry, finance, utilities and properties.

The IBEX 35 is the benchmark stock market index of the Bolsa de Madrid, Spain's principal stock exchange. Initiated in 1992, the index is administered and calculated by Sociedad de Bolsas, a subsidiary of Bolsas y Mercados Españoles, the company which runs Spain's securities markets. It is a market capitalization weighted index comprising the 35 most liquid Spanish stocks traded in the Madrid Stock Exchange General Index, and is reviewed twice annually. Trading on options and futures contracts on the IBEX 35 is provided by MEFF, another subsidiary of BME.

The FTSE MIB is the benchmark stock market index for the Borsa Italiana, the Italian national stock exchange, which superseded the MIB-30 in September 2004. The index consists of the 40 most-traded stock classes on the exchange. The index was administered by Standard & Poor's from its inception until June 2009, when this responsibility was passed to FTSE Group, which is 100% owned by the Borsa Italiana's parent company, London Stock Exchange Group.

The Merrill Lynch Option Volatility Estimate Index (MOVE) is the bond market's equivalent of the Chicago Board Options Exchange Volatility Index (VIX), and helps to gauge the current level of fear or complacency in fixed income markets.

The MSCI EAFE Index (Net) is a free float-adjusted market capitalization index designed to measure large and mid-cap equity performance in developed markets, excluding the US and Canada. The Index includes countries in Europe, Australasia, and the Far East.

MSCI Emerging Markets Index is an unmanaged index that is designed to measure the equity market performance of emerging markets.

Russell 2000® Index is an unmanaged index that measures the performance of the small-cap segment of the US equity universe.

S&P MidCap 400® is an unmanaged index that measures the performance of the mid-cap segment of the US equities market.

S&P 500® Index is a widely recognized measure of US stock market performance. It is an unmanaged index of 500 common stocks chosen for market size, liquidity, and industry group representation, among other factors. It also measures the performance of the large-cap segment of the US equities market.

TOPIX is an index that measures stock prices on the Tokyo Stock Exchange (TSE). This capitalization-weighted index lists all firms that are considered to be under the 'first section' on the TSE, which groups all of the large firms on the exchange into one pool. The second section groups all of the remaining smaller firms.

You may not invest directly in an index.

Disclosure

1046854.23.1
Exp. 1/31/21
ASGMFS03-0920