ASG Global Alternatives Fund

QUARTERLY PORTFOLIO COMMENTARY

Average annualized total returns (%) † as of 3/31/2019

	3 months	YTD	1 year	3 years	5 years	10 years
Class Y	4.71	4.71	0.53	4.48	1.40	3.82
Class A at NAV	4.69	4.69	0.32	4.20	1.16	3.56
Class A with 5.75% maximum sales charge	-1.29	-1.29	-5.47	2.15	-0.03	2.95
Barclay Fund of Funds Index	4.04	4.04	-1.07	2.61	1.28	2.83

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 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 1.34% (Class Y share) / 1.59% (Class A share). Net expense ratio 1.33% (Class Y share) / 1.58% (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 4/30/19. 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.

Market commentary

The positive reversal in risk assets that began in the last days of 2018 continued in earnest through most of the first quarter 2019. Rising speculation of accommodative changes in monetary policy was confirmed by the Federal Reserve on March 20. Subsequently, the 10-year Treasury yield plummeted to 2.37% on March 27th, the lowest level since November 2017. With a short-term policy rate lower bound of 2.25%, the yield curve quickly inverted, with the 3-year Note yielding 2.14%. Free from the Fed's double tightening policy of higher rates and balance sheet reduction, investors' risk appetites increased materially as looser financial conditions prevailed. Major equity, bond, credit, and energy indices around the world rallied powerfully.

The optimism driving the rally in risk assets came despite gaps in economic improvement both in the U.S. and in other developed market economies in the fourth quarter. The theme of global divergence between the U.S. and the rest of the world re-oriented to a more parallel path as slack in domestic investment and personal consumption pulled real U.S. economic growth down to just 2.2% (annualized) in the fourth quarter. This data, coinciding with the associated negative equity market repricing and diminishing inflation signals, convinced the Fed that it needed to pause its normalization. Looking outside the U.S., economic activity in Europe also took on a faltering trend, prompting the European Central Bank (ECB) to back away from any notion of tightening. Similarly, in China the People's Bank of China was compelled to reduce reserve requirements in January in response to tightening credit conditions. Moreover, the dovish outlook for the U.S. yield curve was evident in the Libor market, where rates fell considerably in the quarter.

The first three months of 2019 saw a remarkable rally in crude oil prices. WTI crude futures rebounded from the fourth quarter's drop to climb 32%, finishing the quarter just above $60. Attribution for the move lay mostly on the supply side with OPEC remaining on track for cuts in production. Even though signs of improvement in global economic activity are scarce, the demand picture for crude could not be ruled out as a factor in its best quarterly run-up since 2002. Elsewhere in commodities, industrial metals rallied while agricultural commodities, notably wheat, declined.

The dollar remained steady, with an appreciating bias through the quarter. Two currencies of note in the first quarter were the Turkish lira and, to a lesser degree, the Japanese yen. In Turkey, renewed turmoil in the Turkish financial markets and heightened uncertainty regarding the policy reaction to the ongoing recession raised the risk of further capital flight. In reaction, the lira gapped down against the dollar by nearly 8% in mid-March, during turbulence in advance of the quarter-end elections. Meanwhile, the yen fell roughly 4% through January and February in what appeared to be a risk-on move related to looser financial conditions in the period.

Explanation of Fund performance

ASG Global Alternatives Fund Class Y shares returned 4.71% during the first quarter of 2019. Although the Fund does not seek to track any particular index, the Barclay Fund of Funds Index may be used as a benchmark for performance analysis. This benchmark returned 4.04% for the same period. It is important to note that there are material differences between the Fund and its benchmark.

The Fund seeks to take on exposures that reflect the liquid, broad market exposures of the hedge fund industry as estimated by a proprietary, systematic process. When the Fund takes on a "long"[1] exposure to a market, the long exposure generally profits as the price of the underlying market rises, but suffers losses when its price falls. When the Fund takes on a "short"[2] exposure, the short exposure generally suffers losses as the price of the underlying market rises, but profits as its price falls. In taking on these exposures, the Fund typically makes extensive use of futures[3] and forward[4] contracts on global stock indexes, fixed income securities, currencies, and commodities. The Fund can also use short and long exposures to single-name equities as part of its risk premia strategies. As market events unfold, these market exposures result in a profit or loss for the Fund. Like hedge funds, the Fund also utilizes trading strategies designed to capture risk premia and other sources of systematic returns.

Returns during the quarter were driven by both equities and fixed income, which together accounted for approximately 75% of the gains. Currencies also contributed positively, while commodities provided a slight negative contribution. Early in the quarter, Fed chair Powell suggested that the Fed would be patient with regard to raising rates. This seemed to send equities higher and bond yields lower (bond prices higher). The Fund's long positions in both asset classes benefited from these moves. In particular, long positions in the DAX, the Russell 2000, the TOPIX, and the FTSE 100 futures were strong contributors. In bonds, the 10-year Bund futures proved by far the largest positive contributor.

As described above, the ASG Global Alternatives Fund seeks to emulate the broad factor exposures of hedge funds and to capture market inefficiencies using risk premia strategies. During the first quarter, the hedge fund consensus models (which were substantial drivers of the long equities and long bond positioning) drove the majority of the Fund's returns during the quarter. The risk premia strategies also contributed positively, particularly the event premia and structural and flow premia approaches. AlphaSimplex aims to gradually increase the breadth of techniques employed in the Fund to better capture the strategies used by hedge funds to generate returns for their investors. During the quarter, we added small allocations to four risk premia – two that seek to capture inefficiencies in single-name equities with a short futures hedge and two that seek to capture inefficiencies in commodity futures contracts. While modest, the contribution from the Fund's money market holdings was positive over the quarter.

Risk management

The Fund's portfolio is adjusted on a daily and monthly basis to incorporate new information about hedge funds' exposures and changing market dynamics, and on a daily basis to control risk. The risk control mechanism is designed to target an average annual volatility of 9% or less—greater than the typical volatility of bonds, but less than the typical volatility of stocks.[5] 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 3.5%, reflecting smaller position sizes in response to the higher volatility in the fourth quarter of 2018, the fact that many of our models took diversifying and offsetting positions against one another, and the lower realized volatility experienced by the markets in Q1 2019. We continue to scale the size of the Fund's positions to keep total portfolio risk at or below its target.

[1] The purchase of an asset with the expectation that the asset will rise in value.
[2] The sale of an asset with the expectation that the asset will fall in value.
[3] A standardized contract using a clearinghouse to buy or sell an underlying commodity, security, currency, or index at a predetermined price in the future.
[4] A private agreement between two parties to buy or sell an underlying commodity, security, currency, or index at a predetermined price in the future.
[5] 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.

Outlook

The re-alignment of monetary policy in the United States towards the easing posture held by the rest of the developed world is set to continue in the near-to-medium term. The more accommodative policies should remain positive for risk assets, providing a runway in the second quarter and beyond. Supporting the Fed's change in stance, in part, are the constructive ramifications from the 20% selloff in domestic equities in the fourth quarter last year and the recent impact of tighter policy on economic activity. With a more supportive policy combined with underlying strength in the U.S. labor markets, consumption, and capital investment, risk assets should benefit.

Challenging the outlook are cyclical implications from previous restrictive policy and economic weakness in Europe and China. In Europe specifically, risks of the ECB making a strategic policy error have emerged as it shapes its response to the long-term adverse consequences of its negative rate policy. Ongoing political uncertainties may also weigh on the prospects for a positive outcome for risk assets. Trade negotiations between the United States and China continue, and the tension lingers in the United Kingdom around the array of possible Brexit outcomes, with follow-on risks in Europe. Still, clarity provided by any settlement on both trade and Brexit could add to a constructive environment globally.

Barring an economic or inflationary shock in the U.S., the dollar is expected to remain stable in the near-to-medium term. However, should emerging market economies begin to outperform, the dollar may experience downside pressure as capital is allocated outside of the U.S. Commodity markets would most likely benefit in such an environment, leading to a potential bottoming of inflation expectations.

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 Barclay Fund of Funds Index is a measure of the average return of all Funds of Funds (“FoFs”) in the Barclay database. The index is simply the arithmetic average of the net returns of all the FoFs that have reported that month. Index returns are recalculated by Barclay Hedge, Ltd. throughout each month. The Fund does not expect to update the index returns provided if subsequent recalculations cause such returns to change. In addition, because of these recalculations, the Barclay Fund of Funds Index returns reported by the fund may differ from the index returns for the same period published by others. The performance of the Index reflects the managed fees and other expenses of both the funds of funds in the Index and the hedge funds in which these fund of funds invest.

Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index composed of Japan's top 225 blue-chip companies on the Tokyo Stock Exchange. The Nikkei is equivalent to the Dow Jones Industrial Average Index in the US. In fact, it was called the Nikkei Dow Jones Stock Average from 1975 to 1985.

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

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

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Before investing, consider the Fund’s investment objectives, risks, charges, and expenses. Please visit im.natixis.com or call us at 800-225-5478 for a prospectus or a summary prospectus containing this and other information. Read it carefully.

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