LOOMIS | SAYLES

MUTUAL FUND COMMENTARY

DECEMBER 31 2020

Global Growth Fund

FUND FACTS

The fund seeks to invest in companies with sustainable competitive advantages, long-term structural growth drivers, attractive cash flow returns on invested capital, and management teams focused on creating long-term value for shareholders. The fund's portfolio manager also aims to invest in companies when they trade at a significant discount to the estimate of intrinsic value.

Strategy AUM[1]	$2.2 billion
Fund AUM	$108.4 million
Share Class	Y
Inception	3/31/2016
Ticker	LSGGX
Benchmark	MSCI ACWI Net
CUSIP	63872T224
Portfolio Manager	Aziz Hamzaogullari
Manager Since	Inception

[1]Strategy assets are comprised of Loomis Sayles Global Growth style accounts.

TOP TEN HOLDINGS (%)

MercadoLibre, Inc.	7.7
Amazon.com, Inc.	6.8
Novartis AG	4.8
Facebook, Inc.	4.4
Boeing Company	4.4
Adyen NV	4.2
Alibaba Group Holding Ltd.	4.1
Visa Inc.	4.1
Alphabet Inc.	4.1
Deere & Company	4.0
Total	48.4

Data is based on total gross assets before any fees are paid; any cash held is included. The portfolio is actively managed and holdings are subject to change. References to specific securities or industries should not be considered a recommendation. Holdings may combine more than one security from the same issuer and related depositary receipts. Portfolio weight calculations include accrued interest. For current holdings, please visit www.loomissayles.com.

Portfolio Review

- The fund posted positive returns of 13.21% vs. 14.68% for the MSCI ACWI Net Index, underperforming the benchmark by 1.47% net during the fourth quarter. MercadoLibre, Baidu and Adyen were the three largest contributors to fund performance. Alibaba, Salesforce and Reckitt Benckiser were the largest detractors from performance during the quarter.

- Stock selection in the communication services, industrials, energy and consumer staples sectors as well as our allocation to the healthcare sector contributed positively to relative return. Stock selection in the information technology, healthcare and financials sectors as well as our allocation to the financials and energy sectors detracted from relative performance.

- The fund is an actively managed strategy with a long-term, private equity approach to investing. Through our proprietary bottom-up research framework, we look to invest in those few high-quality businesses with sustainable competitive advantages and profitable growth when they trade at a significant discount to intrinsic value (our estimate of the true worth of a business, which we define as the present value of all expected future net cash flows to the company).

PERFORMANCE AS OF DECEMBER 31, 2020 (%) CLASS Y

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
FUND	13.21	35.33	35.33	18.14	-	19.25
BENCHMARK	14.68	16.26	16.26	10.06	-	12.89
EXCESS RETURN	-1.47	19.07	19.07	8.08	-	6.36

Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. Investment 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 www.loomissayles.com.

Additional share classes may be available for eligible investors. Performance will vary based on the share class. 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 1.23% (Class Y). Net expense ratio 1.00%. As of the most recent prospectus, the investment advisor has contractually agreed to waive fees and/or reimburse expenses once the expense cap of the fund has been exceeded. This arrangement is set to expire on 3/31/2021. When an expense cap has not been exceeded, the fund may have similar expense ratios.

Institutional Class shares (Class Y) are available to institutional investors only; minimum initial investment of $100,000.

NEW PURCHASE HIGHLIGHTS

There were no new purchases during the period.[1]

Portfolio Activity

All aspects of our quality-growth-valuation investment thesis must be present for us to make an investment. Often our research is completed well in advance of the opportunity to invest. We are patient investors and maintain coverage of high-quality businesses in order to take advantage of meaningful price dislocations if and when they occur. During the period, we added to our existing positions in Boeing and Novartis as near term price weaknesses created more attractive reward-to-risk opportunities. We trimmed our existing position in MercadoLibre as it approached our maximum allowable position size.

Contributors

MercadoLibre, Baidu, and Adyen were the three largest contributors to performance during the quarter.

- **MercadoLibre** is the largest online commerce platform in Latin America. The company offers its users an ecosystem of six integrated e-commerce services that include its marketplace, payment and fintech solutions, shipping and logistics, advertising, classified listings, and merchant web services. Commerce and related services account for approximately 60% of net revenue, while payments and fintech solutions account for approximately 40%. The company operates in 18 countries representing over 95% of Latin American GDP, and its 320 million registered buyers as of December 31, 2019 represented approximately 80% of the region's estimated 400 million internet users. We believe MercadoLibre benefits from strong and sustainable competitive advantages that include its network and ecosystem, brand, and understanding of local markets that collectively contribute to its leadership position in each market it serves. With continued growth in internet access, increasing availability of credit, and the company's continuing investments to improve the ease and convenience of transacting online, we believe MercadoLibre remains well positioned for sustained growth over the next decade, driven by the secular growth of e-commerce across Latin America.

  A fund holding since inception, MercadoLibre was among the largest contributors to performance during the quarter. The company reported strong quarterly financial results that were well above consensus expectations and demonstrated continued strong growth in gross merchandise volume (GMV), payments, and accelerating market share gains. For the quarter, net revenue of $1.1 billion grew by 149% year over year in constant currency. The services provided by MercadoLibre generally fall into two distinct revenue streams. "Commerce" includes MercadoLibre's core e-commerce marketplace and related services and solutions, and accounted for 65% of revenue. "Fintech" accounted for 35% of revenue and includes items such as off-platform payment fees generated through the company's Mercado Pago payments platform, financing fees, and revenues from the sale of mobile point-of-sale (POS) products. Commerce revenue of $725 million rose 181% year over year in constant currency. Performance was strong across all key countries which contributed to total GMV of $5.9 billion that rose 117% year over year on a constant currency basis. Unit volume sales, which remove the impact of currency and inflation, rose 110% year over year, driven by 138% growth in Argentina, 118% growth in Mexico, and 88% growth in Brazil, the company's largest market which accounted for approximately 55% of revenue.

Brazil in particular benefited from product category expansion and continued investments in logistics that enabled the company to generate a 20 percentage-point improvement in shipments delivered within 48 hours, despite a six-week postal strike in the country. Firmwide, the company continues to focus on expanding its product categories and deepening its selection. Live listings, one of the company's key performance indicators which demonstrates the broad and growing number of products available through the company's marketplaces, increased 22% to 304 million in the quarter, while the number of active users increased 92% year over year. Fintech revenue of $391 million grew 105% in constant currency, driven primarily by payment processing and fintech solutions. Total platform payment volumes settled through Mercado Pago were $14.5 billion and rose 161% year over year in constant currency. Off-platform payment volumes, which represent processed transactions that occur outside of the company's Marketplace platform, rose 197% and accounted for 58% of total payment volumes, up from 52% in the year-ago quarter, benefiting from 204% growth in online payments, 85% growth in mobile (POS), and 381% growth in its mobile wallet businesses. The company also reported that its emerging asset management business has over $540 million in assets under management and over 13 million users.

We believe MercadoLibre continues to have an attractive financial model which is being impacted by an elevated investment cycle intended to strengthen the company's ecosystem and long-term competitive positioning. Operating margins during the period of 7% expanded substantially from margins of -14% in the prior-year quarter, due primarily to increased marketing and sales efficiencies as Covid-19 contributed to strong organic demand for e-commerce services. Management has demonstrated its long-term focus and commitment to investing everywhere needed to add value for users, including greater selection, frictionless payment options, and reduced cost and increased speed of delivery. While its elevated investments over the past few years have pressured near-term profits, management remains focused on balancing the investments needed to further improve user experience and extend the company's leadership in e-commerce and payments with maintaining a sustainable and profitable financial model. We believe the current market price embeds expectations for revenue and cash flow growth that are well below our long-term assumptions. As a result, we believe the shares trade at a significant discount to our estimate of intrinsic value and represent a compelling reward-to-risk opportunity.

- **Baidu** is the leading online search and advertising provider in China. A fund holding since inception, Baidu was among the leading contributors for the quarter. The company reported quarterly financial results that were better than management's guidance and consensus expectations for revenue, operating profit, and earnings per share (EPS). In addition to strong quarterly financials, we believe Baidu's stock price benefited from demonstrated signs of a cyclical recovery in its core advertising business, which we expect to be more visible over the next year. We also believe Baidu benefited from continued progress and monetization of cloud services and early-stage artificial intelligence (AI) businesses, including DuerOS, and Apollo. Overall results reflected an advertising environment that remains weak due to macroeconomic factors. However, ad spending improved over the previous quarter and the company continues to benefit from its mobile ecosystem and ability to monetize its large user base. Baidu also experienced stronger growth in its cloud business, as well as its DuerOS voice interaction system and Apollo open-source autonomous driving platform – two of its key artificial intelligence (AI) products outside of search. We believe Baidu is a high quality company whose sustainable competitive advantages include its strong brand recognition, economies of scale, a powerful network and business ecosystem, and strong distribution. Baidu's brand was rated the sixteenth most valuable brand in China in 2020 by MillwardBrown's annual BrandZ study. The Baidu family of apps and products, which includes search & feed, video, tools, knowledge and information-centric products, location-based services, and industry-specific verticals, reaches over 1 billion monthly average users and several hundred thousand advertisers, illustrating the scale of the platform. Within this application ecosystem, Baidu continues to be driven by its core search and feed app where the company continues to dominate China's internet search market, capturing over 75% share of search revenues. We believe Baidu's family of apps positions the company to benefit from long-term, secular growth in China online advertising, and that the company is poised to return to growth in 2021 and beyond.

For the quarter, total revenue grew 1% year-over-year to RMB 28 billion. Accounting for 72% of Baidu's total revenue, online marketing services associated with the company's core search business declined 1% year over year, but increased 14% versus the previous quarter as the company saw improvement in verticals that had declined the past few quarters, including health care, education, autos, lifestyle, and software. Daily average users on the Baidu App, which is the company's focus for search and personalized news feed services, reached 206 million during the quarter, a 9% year-over-year increase, while the app's 544 million monthly average users increased by 12%. Other revenue, predominantly subscription revenue from iQiyi, Baidu's majority-owned online video site, as well as cloud revenue, accounted for 28% of total revenue and grew 18% year over year. Baidu reported that its cloud services revenue grew 40% year over year and accounted for almost 30% of other revenue, while other AI businesses including DuerOS and Apollo experienced double-digit growth. iQiyi membership revenue grew 7% year over year and accounted for approximately 70% of other revenues. The video platform ended the quarter with 105 million subscribers, approximately flat year over year.

Baidu continues to emphasis leading with AI, which it is employing to improve its search efforts and enable a number of other commercial ventures. In Baidu's core search business, AI is leading innovation in voice recognition and digital search, thereby generating better-targeted, predictive, and more-personalized results – yielding benefits to both users and advertisers and allowing the company to command higher pricing. Beyond search, two of Baidu's key AI products are its voice interaction system, DuerOS, and Apollo, its open-source autonomous driving platform. The company's strategic path to commercialize these AI technologies is through robust ecosystems with developers and partners. During the quarter, the company announced it had entered into an agreement to raise capital for its Smart Living Group, which includes both its DuerOS voice assistant and DuerOS-powered smart devices, highlighting the value of some of Baidu's early stage businesses. Investors included CITIC Private Equity Funds Management (CPE), Baidu Capital, and IDG Capital. Following the investment, which would value the unit at $2.9 billion, Baidu will remain the majority shareholder and retain super voting rights. The company also announced an agreement with JOYY Inc. to acquire that company's China-based live streaming business for $3.6 billion. Baidu's existing live streaming business grew 80% year over year, and with the acquisition of JOYY's YY mobile app, YY.com website, and PC YY businesses, Baidu is focused on bringing further video content, scale, and operational experience to its existing platform. With a larger streaming platform that it can provide to its global user base of over 300 million daily users and over 1 billion monthly users, we believe Baidu can drive further user engagement, improve conversion rates for advertisers, and increase non-advertising revenue.

Baidu's adjusted EBIT (earnings before interest and taxes) rose 107% year over year to RMB 7.6 billion. EBIT margins of 27% improved substantially from 13% margins in the prior-year quarter and were well above expectations due to improved margins in its core business as well as lower losses in iQiyi. Baidu core margins of 40% improved 10 percentage points over the prior-year quarter, benefiting primarily from lower cost of goods sold and some leverage of research and development expenses. The company's iQiyi platform recorded a loss of RMB 831 million on EBIT margins of -12% that were well above -34% margins in the prior-year quarter. Free cash flow of RMB 6.3 billion grew 29% from the prior-year quarter and represented 22% of revenue. The company maintains a strong balance sheet with net cash of approximately $22 billion after repurchasing $600 million of shares during the quarter. We continue to believe Baidu is a high quality company with sustainable competitive advantages that is poised to benefit from secular growth in China online advertising. We believe the assumptions embedded in Baidu's share price show a lack of appreciation for the company's significant long-term growth opportunities and the sustainability of its business model. We believe the shares sell at a significant discount to our estimate of intrinsic value and offer a compelling reward-to-risk opportunity.

- **Adyen** is a global merchant acquisition and payment solutions provider based in Amsterdam. Surinamese for "to start over again," the company was founded in 2006 by executives who previously founded Bibit, which was sold to Worldpay in 2004 and became the e-commerce platform for the world's largest merchant acquisition company. Adyen was created to serve as a next-generation, integrated provider of payment solutions to merchants, and today the company supports over 250 payment methods globally across online, mobile, and point-of-sale (POS) transactions for clients that include Facebook, Microsoft, Netflix, and Uber.

  A holding since its initial public offering in the second quarter of 2018, Adyen reported a brief quarterly financial update that reflected strong fundamentals and continued market share gains. Revenue of €169 million grew 25% versus the prior-year quarter, despite some ongoing impacts from Covid-19, demonstrating the resilience of the company's business model. Processed volumes grew 26% over the prior-year period, faster than overall growth in either personal consumption expenditures or electronic-based payments, indicating that the company expanded its market share. Despite the ongoing impact of Covid-19, the company reported that volumes in travel-related businesses were generally stable and remained above the low levels of early spring following a pick-up over the summer. In retail, the company's in-store volumes have rebounded to pre-Covid-19 levels even though many of its merchants are not yet operating at full capacity. Online volumes, meanwhile, have continued to grow steadily even as in-store volumes rebounded. Adyen's staff has seamlessly transitioned to working from home with no impact on the company's payment processing ability. The company continued to onboard merchants at a normal pace and began to onboard some clients that were previously delayed as those clients dealt with their own Covid-19-related challenges. The company reported that its pipeline remains strong and reiterated its medium-term outlook for continued revenue growth in the mid-20%-to-low-30% range.

While Adyen benefits from high incremental margins, the company reported that EBITDA (earnings before interest taxes, depreciation and amortization) margins of 60% were flat year over year, driven by long-term investments that included increased marketing expenses and hiring expenses as the company's headcount rose 13% versus the prior quarter. Free cash flow represented 95% of net revenue during the period. The company maintains a strong balance sheet with no long-term debt.

In September, the company announced that co-founder and Chief Technology Officer Arnout Schuijff would be stepping down on January 1, 2021, which we believe reflects his desire to focus on philanthropic activities. We view Mr. Schuijff and co-founder and CEO Pieter van der Does as industry visionaries, and would have preferred to see Mr. Schuijff remain with the company. However, we believe that Adyen has a deep management team and that its founders have succeeded in institutionalizing its distinct culture and focus on both innovation and client success. We believe Adyen remains well positioned in the payments value chain, and that its strong growth prospects are not currently reflected in its share price. As a result, we believe the company's shares are trading at a meaningful discount to our estimate of intrinsic value, offering an attractive reward-to-risk opportunity.

Detractors

Alibaba, Salesforce and Reckitt Benckiser were the three lowest contributors to performance during the quarter.

- **Alibaba Group**, launched in 1999, is a leading China e-commerce and consumer engagement platform provider. The company operates several increasingly connected businesses across commerce, technology, advertising, digital media and entertainment, logistics, payments, and local services. Collectively these businesses form a powerful ecosystem, providing Alibaba with advantaged insights that facilitate e-commerce and enable merchants and brands to engage with customers across the entire consumer lifecycle via an unparalleled platform.

  A fund holding since inception, Alibaba was among the top detractors for the quarter. The company reported quarterly financial results that reflected strong fundamentals, continued market share gains, and were above consensus expectations. However, shares have come under pressure due to a series of regulatory actions by the Chinese government, most recently a late-December notice from China's State Administration for Market Regulation (SAMR) that it had started an investigation into suspected monopolistic practices by Alibaba. Prior to this most recent action, shares were pressured by SAMR's November release of draft regulations aimed at preventing monopolistic practices across China's internet industry.

  We believe SAMR is focused on promoting sustainable and healthy development of China's online ecosystem. We believe that many of the internet and media companies to which the regulations pertain, including Alibaba, are engaged in activities that are supportive of the Chinese government's long-term strategic goals. These goals include promoting domestic consumption as well as the development of domestic artificial intelligence and cloud technologies in order to reduce China's dependence on foreign companies and countries. The proposed regulations are focused on eliminating anti-competitive behaviors such as unfair price competition and restricting merchants' ability to sell on multiple platforms. Regarding Alibaba specifically, SAMR is looking into allegations that the company requires merchants to enter exclusive relationships which prevent them from offering the same products on competing platforms. If the company is found to have violated the rules, it would need to change such practices and could potentially be fined a percentage of prior-year revenue. However, we do not believe the investigation or any of the proposed regulations will ultimately impact Alibaba's strong and sustainable competitive advantages. Of course, such developments can weigh on stock prices over the short term. As we do with any legislative or regulatory developments, we continue to monitor and assess any potential structural impact to our investment thesis for Alibaba and all the companies within our portfolios and investment library.

Shares were also pressured earlier in the quarter following the suspension of the planned IPO for Ant Group. Ant Group is the owner of Alipay, which provides payment processing and escrow services for Alibaba's e-commerce platforms and commands approximately 50% share of the China mobile payments market as a function of its early affiliation with Alibaba. Alibaba holds a 33% equity interest in Ant Group. The suspension of the Ant IPO did not impact our views on the attractiveness of Alibaba. As a leading platform provider, we believe Alibaba will benefit from multiple growth drivers, including digitizing offline retail, local services, advertising, media and entertainment, cloud computing, payments, and cross-border expansion. However, growth in China e-commerce remains the largest, long-term secular business driver for the company. Independent of its equity investments, on the basis of the revenues and cash flows we expect Alibaba to generate from its core businesses, we believe Alibaba trades at a significant discount to our estimate of intrinsic value and offers a compelling reward-to-risk proposition.

During the quarter, revenue grew 30% year over year, faster than our estimate of China consumer spending or e-commerce sales, indicating the company continued to expand its market share. With gross merchandise volume (GMV) that exceeded $1 trillion in its 2020 fiscal year across the Alibaba digital economy, which includes its commerce, local services, and digital media and entertainment offerings, Alibaba is the world's largest retail platform and achieved a GMV milestone it set several years ago. The company continues to be driven by its core commerce segment, which accounted for 87% of Alibaba's $22.8 billion of total quarterly revenue and grew 29% year over year. China commerce retail accounted for 73% of core commerce revenues and grew 26% year over year. The company ended its 2020 fiscal year with 726 million active consumers in its China retail marketplaces, up 11% from 654 million a year earlier. In the broader Alibaba digital economy, the company ended the year with 780 million annual active consumers in China and over 180 million international consumers. During the quarter, mobile monthly active users grew 12% to 881 million, aided by investment in content and technology to drive strong user engagement. Data gathered from strong consumer engagement on the company's e-commerce and digital media sites provide powerful insights into consumer behavior. Alibaba is thereby able to deliver more personalized content, which enables a growing number of merchants to better target and engage customers throughout the consumer lifecycle and drives improved e-commerce monetization. Benefiting from this insight, customer management revenues grew 20% versus the prior-year quarter. A growing initiative within the China commerce retail segment is Alibaba's new retail strategy, in which it seeks to leverage its data, scale, technology, and network ecosystem to digitize the entire retail value chain and create a seamless consumer experience between online and offline retail. The initiative, which includes the company's acquisition of China department store Intime and Hema grocery stores (now Freshippo), accounts for approximately one quarter of China commerce retail revenue and is growing at a multiple of the overall core commerce business. Alibaba announced that it had invested an additional $3.6 billion to acquire a controlling stake in Sun Art Retail Group Limited, a leading supermarket chain in China in which it first invested in 2017. Consistent with its new retail strategy, through the partnership Alibaba is focused on driving deeper digital transformation of China's supermarkets and hypermarkets. Other revenues, which are driven primarily by new retail, expanded 44% year over year in the most recent quarter. Core commerce revenues also benefited from the company's substantial focus on international and cross-border commerce, with the international commerce retail business growing 30% year over year, driven by growth at southeast Asia-focused Lazada Group and Turkey-based Trendyol that was partially offset by the deconsolidation of the company's AliExpress Russia business. In total, the core commerce segment grew adjusted operating profits by 19% year over year. Adjusted operating margins of 35% declined 300 basis points versus the prior-year period. Margins continue to be pressured by losses at the company's strategically important but currently loss-making businesses, including local services, Lazada, new retail, and logistics operations. During the quarter, the combined losses of these businesses declined to RMB 5 billion, from RMB 7 billion in the prior-year quarter. We believe the company's core marketplace business continues to generate stable and attractive operating profits, and that its currently loss-making newer businesses will become profitable over time and contribute to earnings and free cash flow growth.

Well positioned for the secular migration to cloud computing, Alibaba's cloud-computing revenue rose 60% year over year, well above the single-digit growth in China IT spending, and accounted for 10% of total revenue. Growth was driven by an increase in both public and hybrid cloud businesses, including growth in revenue from customers in the internet, retail, and finance industries. The cloud-computing business remains in investment mode, focusing on geographic and product expansion, and generated operating margins of -1% that improved from -6% margins in the year-ago quarter. Comprising approximately 5% of total revenue, digital media and entertainment revenue grew 8% compared with the year-ago quarter, benefiting from an increase in online gaming, which was recently reclassified from the company's innovation initiatives segment. Media offerings boost the length of user sessions and user stickiness, expand the ecosystem for customer acquisition and brand building, and improve Alibaba's overall consumer value proposition. The segment remained in investment mode, focused on increasing original content and securing licensing rights while still generating cost efficiency. The segment reported operating margins of -9% that improved significantly from -32% in the prior-year quarter. Innovation initiatives and others accounted for 1% of revenue and increased 10% year over year, driven by growth of businesses such as Amap and Tmall Genie. This segment also includes early-stage businesses for mobile device operating systems, cars, Internet of Things (IoT), AutoNavi, enterprise messaging, and others. Adjusted operating margins of -203% declined from margins of -164% in the year-ago quarter.

Alibaba's adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) rose 31% over the prior-year quarter, and EBITDA margins of 31% were flat year over year. For the quarter, the company generated free cash flow of $6 billion that rose 33% over the prior-year quarter and represented 26% of revenues. Alibaba continues to execute well on its business model, allowing it to expand its already dominant market position and invest to strengthen its competitive advantages. The company benefits from secular growth in China e-commerce, as well as advertising growth, digitizing offline retail, cloud computing, and international expansion. We believe the current market price embeds expectations for key revenue and cash flow growth drivers for Alibaba that are well below our long-term assumptions. With its shares trading at a significant discount to our estimate of intrinsic value, we believe Alibaba offers a compelling reward-to-risk opportunity.

- **Salesforce.com** is a leading provider of cloud-based enterprise software, services, and applications focused on customer relationship management (CRM) for companies of all sizes and industries. The company offers individual cloud applications in multiple CRM market segments but is focused on its Customer 360 platform that unites sales, service, marketing, commerce, and other functions to provide a comprehensive customer view, enable companies to create and share custom applications and analytics, and automate all aspects of customer relationships. Salesforce sells its products globally, primarily through a direct sales force and indirectly through consulting firms, system integrators, and other partners.

A new purchase in the first quarter of 2020, Salesforce was among the largest detractors from performance during the quarter. The company reported strong quarterly financial results that exceeded consensus expectations for revenue, operating margins, and earnings-per-share. Management also provided its initial revenue outlook for the company's 2021 fiscal year, which was in line with consensus expectations. However, shares were pressured in response to the company's announcement that it reached an agreement to acquire business collaboration software provider Slack Technologies for $27.7 billion in cash and stock. The company also announced that co-President and CFO Mark Hawkins is retiring in January and will be replaced by co-President and Chief Legal Officer Amy Weaver, who has been with the firm for seven years. Neither event has impacted our assessment of the quality of Salesforce's business or management team. We believe Salesforce's strong and sustainable competitive advantages, which include its brand, comprehensive CRM solutions, large installed base of clients with high switching costs, and scale, will enable it to continue to benefit from secular growth in adoption of its cloud-based applications and to grow faster than the industry as a whole.

For the quarter, revenue of $5.4 billion increased 19% year over year in constant currency, driven by strong growth in the company's service, marketing and commerce, and platform and other segments, all of which experienced greater-than 20% organic growth. Subscription revenue for the company's core CRM cloud software services accounted for 94% of total revenue and rose 20% versus the prior-year quarter. With three of its cloud service offerings growing organically at 20% or more, the company continued to grow its share of the enterprise and CRM application markets. The company's sales cloud represented 26% of subscription revenue and grew 12% year over year. Service cloud represented 27% of revenue and grew 27% versus the prior-year quarter. Platform and other, which includes the company's key Customer 360 platform, accounted for 31% of revenue and grew 24% organically and 31% on a reported basis due to the 2019 acquisition of analytics company Tableau. The company's marketing and commerce cloud segment represented 16% of revenues and grew 25% year over year. Outside of its subscription products, services revenue accounted for 6% of total revenues and grew 23% versus the prior-year period. From a geographic standpoint, the Americas accounted for 69% of revenue and grew 17% year over year in constant currency. Europe accounted for 21% of revenue and grew 26%, while Asia-Pacific accounted for 9% of revenue and grew 20% in constant currency.

Salesforce has an attractive financial model that we believe will continue to improve over our long-term investment horizon. Adjusted operating income of $1.1 billion rose 23% year over year on margins of 20% that expanded by 50 basis points, benefiting from operating leverage in sales and marketing expenses. Free cash flow rose 68% versus the prior-year period to $215 million, benefiting from lower capital expenditures. The company's balance sheet remains strong, with a positive net cash position of approximately $7 billion. Following the Slack acquisition, which is expected to close in the second quarter of the company's 2022 fiscal year, we expect Salesforce will have a manageable net debt position. The proposed acquisition does not change our view of the quality of its financials due to the high recurring revenue and strong cash flow generation of the business.

Slack Technologies has been one of the fastest growing providers in the collaboration applications market, growing from approximately 7% market share in 2017 to 17% in 2019, behind only industry leader Microsoft with approximately 28% share. The company is expected to generate revenue of approximately $900 million in its current fiscal year and its subscription-based business model has generated net client retention of over 120%, suggesting continued year-over-year growth in revenue from existing customers. While the company is not currently profitable, it earns gross margins of approximately 88% and generates positive free cash flow. Following the acquisition, Slack will become an operating unit of Salesforce, led by its CEO and co-founder Steward Butterfield. The company's products will continue to be sold directly to all enterprises, but Slack will also be deeply imbedded in every Salesforce cloud and become the new net interface for company's Customer 360 platform, with a focus on providing a unified platform to connect employees, customers, external partners and their apps.

We believe Salesforce shares were pressured following the announcement of the Slack acquisition for a few reasons. First, there are concerns given this represents the company's largest acquisition as well as due to the valuation paid. A second concern is due to near-term margin contraction as result of Slack's dilutive impact. This will represent a shift from the strong operating leverage reported year to date in the company's current fiscal year. While we acknowledge the risks of acquiring Slack, we also see significant potential in driving long-term value for the company. We believe the acquisition has the potential to improve Salesforce's competitive positioning by facilitating even better collaboration and decision making across CRM functions and further improving client experience. We believe Slack will be the engagement layer across all of Salesforce's cloud products and can ultimately become the system of engagement for its Customer 360 strategy. A second potential benefit we see is that Salesforce will significantly improve the distribution strength of Slack, whose strong and successful viral offering will now be able to leverage the massive installed base of Salesforce clients and its direct sales force of approximately 10,000 employees. We expect Salesforce to grow Slack's revenue in excess of 20% compounded annually over our forecast period. We also expect the combined business will improve its margins and benefit from further scale. Ultimately, we believe Salesforce is one of very few companies capable of successfully delivering on the proposed integration and realizing value from the acquisition. We will continue to carefully monitor and assess the company's progress for any impact to our investment thesis.

We believe Salesforce's share price continues to embed expectations for key revenue and cash flow growth drivers that are well below our long-term assumptions. As a result, we believe the company is selling at a significant discount to our estimate of its intrinsic value and offers a compelling reward-to-risk opportunity.

- **Reckitt Benckiser** manufactures, markets and distributes branded consumer products, with a focus on health, hygiene, and nutrition products. The company is narrowly focused on approximately 20 market-leading brands and 100 "category market units" (CMUs) which represent specific geographic markets that RB believes offer the greatest growth potential for the categories its products serve.

  A fund holding since the first quarter of 2018, Reckitt was among the biggest detractors from performance during the quarter. The company released a brief quarterly financial update that reflected strong organic sales that were above consensus expectations and benefited from heightened consumer demand for its personal and home hygiene products such as Lysol. However, shares were pressured on news of positive vaccine results which could dampen the recently elevated demand for its products. We believe Reckitt's portfolio of globally relevant and market-leading health, hygiene, and nutrition brands, and its distinct entrepreneurial culture, represent strong and sustainable competitive advantages. The company has benefited throughout 2020 from elevated demand for its health and hygiene products that is well above our long-term expectations for the company. Over our long-term investment horizon, we believe Reckitt will benefit from its narrow focus on those categories and markets where its innovative and differentiated offerings can sustain competitive advantage and which benefit from secular growth in consumer spending on health needs.

  For the quarter, total revenue of €3.5 billion rose 13% year over year on an organic basis, led by its hygiene and health units. In hygiene, organic sales were up almost 20%, with mid-teens growth in volumes and 1% growth in pricing. The company reported strong, double-digit growth across almost all leading brands, including Lysol, Finish, and Air Wick, and the company gained market share in CMUs representing 75% of segment revenues. In health, organic sales rose almost 13% on 9% growth in volumes and a 4% benefit from pricing and product mix. Brands such as Dettol and Durex both posted strong, double-digit growth, while the company's over-the-counter business saw declines after a period of consumer stockpiling. The company gained or held market share in CMUs representing 80% of segment revenue. Reckitt's nutrition business reported 4% organic growth, which included 1% growth in volumes and a 3% benefit from pricing and product mix. In its primary infant milk formula business Reckitt reported strength in North America, but sales into China, which remain a major area of focus for the company, remain weak. The company's smaller vitamins, minerals and supplements (VMS) business benefited from strong growth for the company's Airborne immune support product. Overall, nutrition results represent an improvement following weakness at the beginning of the year and are in-line with our long-term expectations.

Reckitt has benefited from strong demand arising from Covid-19 that we expect will remain elevated in the near-term before normalizing at a level of mid-single-digit sales over our long-term investment horizon. The company's new management team is executing on a strategy that includes heightened investments in brands and execution that we expect will depress still-industry-leading profitability in the near-term, but should further enhance its long-term competitive positioning. In the interim, the company continues to generate strong free cash flow which enables both substantial reinvestment and reduction of the debt incurred with its 2017 acquisition of Mead Johnson. We believe the current market expectations underestimate Reckitt's long term, secular and structural growth drivers and the company's superior positioning. As a result, we believe the shares trade at a significant discount to our estimate of intrinsic value and offer a compelling reward-to-risk opportunity.

Outlook

- Our investment process is characterized by bottom-up, fundamental research and a long-term investment time horizon. The nature of the process has led to a lower-turnover portfolio in which sector positioning is the result of stock selection.

- The fund ended the quarter with overweight positions in the consumer discretionary, communication services, industrials, information technology and consumer staples sectors and underweight positions in the financials, healthcare and energy sectors. We did not own positions in the materials, utilities or real estate sectors.

- We remain committed to our long-term investment approach to invest in those few high-quality businesses with sustainable competitive advantages and profitable growth when they trade at a significant discount to intrinsic value. Though we have no stated portfolio turnover target, as a result of our long-term investment horizon, our estimated portfolio turnover since the inception of the fund is approximately 9.3%. As of December 31, 2020, the overall portfolio discount to intrinsic value was approximately 46.3%.

About Risk

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. **Currency** exchange rates between the US dollar and foreign currencies may cause the value of the fund's investments to decline. **Investments in small and mid-size companies** can be more volatile than those of larger companies. **Growth stocks** may be more sensitive to market conditions than other equities as their prices strongly reflect future expectations.

MSCI All Country World Index (Net) *is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets.*

Outlook as presented in this material reflects subjective judgments and assumptions of the portfolio team and does not necessarily reflect the views of Loomis, Sayles & Company, L.P. There is no assurance that developments will transpire as stated. Opinions expressed will evolve as future events unfold.

Before investing, consider the fund's investment objectives, risks, charges, and expenses. Please visit www.loomissayles.com or call 800-633-3330 for a prospectus and a summary prospectus, if available, containing this and other information. Read it carefully.

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