

Small Cap Value Fund

FUND FACTS

OBJECTIVE

Seeks to produce long-term capital growth

Share class	I
Inception	5/13/1991
Ticker	LSSCX
CUSIP	543495816

Market Conditions

- The sell-off in US equities accelerated during the quarter, with widespread losses leading to one of the weakest first halves of a calendar year on record. Growing inflationary pressures and the expected response from the Federal Reserve to raise interest rates were the primary market drivers. By quarter-end, increasing potential of a US recession added to the market weakness, and defensive sectors generally outperformed more economically sensitive stocks. While COVID-19 variants seemed to fade somewhat from the headlines, the Russian invasion of Ukraine added to market uncertainty as supply chains and various commodity markets remained disrupted.
- Although stock prices across all market cap categories and investment styles declined, small cap stock returns were only modestly worse than large caps. For the second consecutive quarter, value indexes far outperformed growth across all market cap categories. As one would expect in such a difficult environment, stocks with stronger underlying fundamentals and higher returns on capital notably outperformed weaker companies. Richly valued and highly speculative stocks underperformed, as did those with little or no profitability.
- The broad-based Russell 2000® Index declined -17.2% during the quarter, underperforming the Russell 1000® Index return of -16.7%. Small-cap value stocks, as measured by the Russell 2000® Value Index, declined -15.3%. Growth stocks lagged value with a -19.3% return for the Russell 2000® Growth Index.

Portfolio Review

- The fund outperformed its benchmark, the Russell 2000® Value Index, due mainly to positive stock selection across most market sectors.

CLASS I PERFORMANCE AS OF JUNE 30, 2022 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	-13.41	-18.84	-14.53	4.12	4.15	8.94
BENCHMARK	-15.28	-17.31	-16.28	6.18	4.89	9.05

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 0.94% (Class I). Net expense ratio 0.90%. 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 1/31/2023. When an expense cap has not been exceeded, the fund may have similar expense ratios.

The Class I inception date is 5/13/1991. Class I shares are only available to certain institutional investors only; minimum initial investment of \$100,000.

TOP TEN EQUITY HOLDINGS (%)

Lantheus Holdings, Inc.	1.6
Popular, Inc.	1.6
Herc Holdings, Inc.	1.5
Wintrust Financial Corporation	1.5
ChampionX Corporation	1.4
Kadant Inc.	1.4
Antero Resources Corporation	1.4
Northern Oil and Gas, Inc.	1.3
Korn Ferry	1.3
Science Applications International Corp.	1.2
Total	14.2

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 depository receipts. Portfolio weight calculations include accrued interest. For current holdings, please visit our website.

Contributors

- The fund's emphasis on higher quality companies with strong fundamentals and modest valuation levels proved beneficial in the volatile market environment. At the sector level, an underweight to real estate contributed to performance. Strong positive stock selection in the health care, information technology, communication services and materials sectors contributed a majority of relative performance. Among individual stocks, United Therapeutics Corp., Lantheus Holdings, Inc. and UFP Technologies, Inc. provided the most significant positive contributions to relative performance during the quarter.
- United Therapeutics is a commercial stage biotechnology company that treats rare vascular diseases. During the quarter, one of the company's key therapeutics received FDA approval for a more practical inhaler formulation in the treatment of pulmonary arterial hypertension, a type of high blood pressure that affects the arteries in the lungs and heart. The approval is expected to expand the number of patients using the therapy as well as increasing the ability to help patients earlier in their treatment regimen. The new inhaler formulation also created a stronger competitive barrier that has thwarted litigation with a rival company.
- Lantheus is a global leader in the development, manufacture and commercialization of diagnostic medical imaging agents and products for the diagnosis and treatment of cardiovascular and other diseases. In May 2021, the company gained FDA approval for PYLARIFY, a first-of-its-kind, prostate-specific membrane antigen imaging agent used to identify suspected metastasis or recurrence of prostate cancer. One year after approval, initial sales of PYLARIFY were well ahead of prior estimates, and the company has multiple times raised guidance on the estimated addressable market.
- UFP Technologies is a designer and manufacturer of components, subassemblies, products and packaging utilizing foams, films and plastics primarily for the medical device market. The company's single-use and single-patient devices and components are used in a wide range of medical applications. Recent acquisition activity has shifted the business mix toward health care products, sales of which are growing and produce more recurring revenue, and away from legacy industrial end markets. Despite the company's smaller size at \$200 million in sales, the stock continues to gain increased attention, which was expected as part of our investment thesis.

Detractors

- From a sector perspective, the most significant detractors from performance were the fund's overweight position in information technology and underweight in financials. Unfavorable stock selection in the consumer staples and financial sectors also negatively impacted relative performance. Herc Holdings, Inc., Triumph Bancorp, Inc. and Allscripts Healthcare Solutions, Inc. detracted the most from performance among individual companies.
- Herc Holdings is one of the leading equipment rental suppliers in North America, specializing in industrial products such as aerial platforms, earth-moving equipment, and tele-handlers. The stock was a top performer in late 2020 and 2021 as the company deftly managed through COVID-19 related volatility and the subsequent economic recovery. In 2022, the stock has given back some of those gains as investors have grown concerned about the Federal Reserve's actions to reduce economic activity levels and fight inflation. Despite limited evidence of a material slowdown in Herc's business, and management's proven skill in managing through the COVID-19 demand shock in early 2020, the stock fell to levels that imply a significant negative earnings estimate revision lies ahead. We are maintaining our position in light of the favorable long term outlook, and attractive valuation.
- Triumph Bancorp is a niche bank with a unique focus on transportation and freight payment factoring. As the company gradually transformed from a more traditional bank into a digital freight payments business, the stock was a top performer for the fund in 2021. In 2022, adoption metrics of the new freight payments platform have progressed as

expected, but investments to expand adoption of the product have delayed profitability of the segment. In addition, financial technology valuations have been under pressure throughout the market. We continue to have strong confidence in the future success of the company's TriumphPay unit, as well as the factoring and commercial finance legacy businesses.

- Allscripts provides mission critical software to the health care industry. The company's software is used in the management of revenue, electronic medical records (EMR) and emergency rooms and is deeply embedded in the health care system. The company is the market leader as more physicians use Allscripts than any other EMR system. After very strong stock performance during the first quarter of 2022, the stock declined in the second quarter due to valuation contraction similar to most stocks in the health care sector.

Outlook

- We remain committed to identifying inefficiencies in the small-cap market that result in stock prices and valuations that do not accurately reflect our assessment of the underlying value of corporate enterprises. This approach is applied consistently over time, regardless of the current market environment.
- While many forms of inefficiency may exist, we focus on companies that are misunderstood, underfollowed or in the midst of a "special situation" where we believe we can use our strengths in the form of our time horizon, resource deployment or a willingness to solve complex situations. We require fundamentally sound business models, capable management teams and financial stability. Key to our process is identifying distinct, company-specific catalysts on the horizon to sustain, enhance or highlight the fundamental outlook.
- Our goal is to achieve an attractive total return for our investors, while managing to an appropriate level of risk over a market cycle.

About Risk

Equity securities are volatile and can decline significantly in response to broad market and economic conditions. **Smaller company** investments can be more volatile than those of larger companies. **Value** investing carries the risk that a security can continue to be undervalued by the market for long periods of time. **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.

***Russell 2000[®] Value Index** measures the performance of the small cap value segment of the US equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Value Index is constructed to provide a comprehensive and unbiased barometer for the small cap value segment.*

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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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