

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

- Small cap stocks capped off a remarkable year with the highest-returning quarter in the 40+ year history of the Russell 2000 Index of small cap stocks. The continued rally off the pandemic-driven market lows in March 2020 was fueled by notable progress on the COVID-19 vaccine front, anticipation of new fiscal stimulus measures, monetary accommodation leading to record low interest rates and corporate earnings that in certain sectors have proven more resilient than earlier forecasts had suggested.
- The broad-based Russell 2000® Index returned 31.4% during the quarter, materially higher than the Russell 1000® Index return of 13.7% and the S&P 500® Index return of 12.2%. Small cap value was a market leading segment, with a best-ever quarterly return of 33.4% for the Russell 2000® Value Index.
- Market leadership tacked sharply toward value in early November, and energy, materials and financials were among the leading small cap value index sectors for the quarter. Also during the quarter, investor interest in small cap stocks greatly increased, which resulted in large inflows to small cap ETFs. More specifically, \$13 billion of net inflows helped drive stocks with the smallest market caps and the lowest share prices to become top performers, in addition to those that are not yet profitable. This investment environment provides challenges to active managers, who are generally underweighted to the type of stock that benefit most from huge inflows into passive products. In summary, the market rally was most evident in lower quality, deeper cyclical companies – and served as a reversal for some of the hardest hit stocks from the pandemic earlier in 2020.

CLASS I PERFORMANCE (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	27.47	2.18	2.18	2.18	8.22	8.93
BENCHMARK	33.36	4.63	4.63	3.72	9.65	8.66

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 0.95% (Class I). Net expense ratio 0.92%. 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 1/31/2021. 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 (%)

Liberty Broadband Corp.	1.4
NextEra Energy Partners LP	1.3
Popular, Inc.	1.3
Arcosa, Inc.	1.3
Nomad Foods Ltd.	1.3
Triumph Bancorp, Inc.	1.2
Herc Holdings, Inc.	1.2
Wintrust Financial Corporation	1.2
Churchill Downs Inc.	1.2
Altra Industrial Motion Corp.	1.2
Total	12.6

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 our website.

Portfolio Review

- The fund underperformed its benchmark, the Russell 2000® Value Index, primarily due to lagging stock selection across most sectors as market leadership in the fourth quarter did not match up well with the fund's quality orientation.

Contributors

- The fund's relative performance benefitted from an overweight position in the information technology sector and an underweight to the real estate sector. Positive stock selection in the financials sector, particularly among banks, aided the fund's performance. Among individual stocks, Meta Financial Group Inc., Darling Ingredients Inc. and Advanced Energy Industries Inc. provided the most significant positive contributions to relative performance for the quarter.
- Meta Financial is a South Dakota-based holding company for a federally chartered savings bank. The company has a unique business model, with a largely non-interest bearing deposit base focused on prepaid debit cards, electronic funds transfer and payments. The stock recovered strongly as the bank facilitated the payment via cash debit card of \$6 billion in US government consumer payments on behalf of the US Treasury's Economic Impact Payment Program.
- Darling is a Texas-based rendering company that collects and recycles various waste and animal by-products and manufactures specialty feed, food and fuel ingredients. Through a joint venture with refiner Valero Energy, the company is a meaningful producer of renewable fuels. Accelerating efforts on the part of government entities and corporations toward reducing carbon emissions has increased the value of Darling's renewable fuel generation capabilities. Also aiding the stock price has been expanded sell-side research coverage and a growing trend within the investment community towards ESG investing.
- Advanced Energy Industries, Inc. provides engineered precision power solutions to a diverse set of customers including semiconductor equipment manufacturers, health care companies, data center operators and general industrial businesses. The stock performed well in the quarter as demand from data center and semiconductor companies remains robust. Additionally, concerns related to a potential trade war have subsided, and the company is ahead of schedule achieving cost synergies from a recent acquisition.

Detractors

- The largest detractor from performance was the fund's underweight position in the energy, financials and materials sectors, which were among the best performing index sectors during the quarter as they tend to have higher levels of economic cyclicality. While the fund participated in the significant market rally, stock selection across the many of the sectors illustrated that portfolio composition was not well aligned with the market factors for the quarter. In particular, stock performance within the industrials, real estate and information technology sectors hampered performance. During the quarter, Emergent BioSolutions Inc., Quidel Corporation and Concentrix Corporation detracted the most from performance among individual companies.
- Emergent BioSolutions is a specialty biopharmaceutical company, developing countermeasures for public health threats and infectious diseases. It also operates an

established, pharmaceutical contract manufacturing business. The stock performed well earlier in the year, as the company announced several potentially large contracts on behalf of third-parties to manufacture vaccines, vaccine compounds and various therapies to combat COVID-19. Stock price weakness during the fourth quarter can be attributed to profit taking and investors rotating away from stocks that have provided solutions to COVID-19-related challenges in favor of stocks poised to recover once the economy re-opens.

- Quidel Corporation is a manufacturer of medical diagnostic tests designed for use at the point of care at a physician's office, clinic, hospital or clinical lab. Throughout 2020, the company received several emergency use authorizations from the FDA to provide point-of-care and clinical laboratory tests for COVID-19. For much of the year, the stock price rose as a result of the tremendous growth in Quidel's business. Weakness in the fourth quarter was due to profit taking, and investors also speculated that the effectiveness of COVID-19 vaccines could lead to lower levels of medical testing longer-term.
- Concentrix is a technology enabled global business service company specializing in customer engagement. A recent spin-off from the fund's holding in Synnex, Concentrix began trading in December. Share performance has been both volatile and slightly negative over the short-term period of the holding over the month.

Outlook

- We remain committed to identify 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. Fundamental to our process are unique, company specific catalysts on the horizon to sustain, enhance, or highlight the fundamental outlook.
- Fundamental to our process are unique, company-specific catalysts on the horizon to sustain, enhance, or highlight the fundamental outlook. These principles are applied consistently over time, regardless of the current market environment. With a margin of safety and a proper time horizon, our goal is to achieve an attractive total return for our investors, while managing to an appropriate level of risk.

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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