

# 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

- Stocks staged a remarkable rally to begin 2019, resulting in one of the best starts to a calendar year in decades and regaining much of the ground lost during the previous quarter. The rebound centered upon more dovish comments and policy from the Federal Reserve regarding the path forward in interest rate normalization. This marked a notable reversal from the policy direction in late 2018 and seemed to stem from a modest downshift in global economic trends over the past few months.
- With fewer fears of the potential Fed policy headwinds, interest rates declined and expanding valuation multiples drove equities higher. Growth stocks performed better than value stocks once again, after trailing in late 2018. The top-performing sector was technology, while traditional value sectors such as financials and consumer staples lagged.
- The net result was a +14.6% return for the broad based small cap Russell 2000® Index, compared to a +14.0% return in the larger cap Russell 1000® Index. The Russell 2000® Value Index returned +11.9% versus +17.1% for the Russell 2000® Growth Index.

## Portfolio Review

- The fund outperformed its benchmark, the Russell 2000 Value Index, primarily due to the fund's positioning in the upper half of the market capitalization range in addition to positive stock selection across the majority of economic sectors.

### CLASS I PERFORMANCE (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
<b>FUND</b>	14.29	14.29	-2.33	8.83	6.02	14.34
<b>BENCHMARK</b>	11.93	11.93	0.17	10.86	5.59	14.12

*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](http://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 0.93%. 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 1/31/2020. 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 (%)**

ALLETE, Inc.	1.4
Littelfuse, Inc.	1.4
Viad Corp	1.2
Euronet Worldwide, Inc.	1.2
WEX Inc.	1.2
Mellanox Technologies, Ltd.	1.2
KAR Auction Services, Inc.	1.1
Nomad Foods Ltd.	1.1
Gray Television, Inc.	1.1
Employers Holdings, Inc.	1.1
<b>Total</b>	<b>12.1</b>

*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.*

## Contributors

- An overweight to the information technology sector helped relative performance as it was the best performing sector within the index.
- Stock selection aided performance across most of the sectors within the benchmark, but particularly within the industrials and information technology sectors. Among individual stocks, Gray Television Inc., Apergy Corp. and Euronet Worldwide Inc. had the largest contributions to performance for the quarter.
- Gray Television operates dozens of local broadcast TV stations around the country that have benefited both from increased political advertising spending and increased retransmission revenue. The company also recently closed on the highly accretive acquisition of Raycom Media Inc., adding to its scale and reaching several new, complementary end markets.
- Apergy provides equipment and services that assist in the drilling and production of oil and gas wells. Energy stocks were quite strong during the quarter along with oil prices, and Apergy stood out with a high-margin product line well positioned for trends in drilling and field production.
- Euronet provides electronic financial transactions on a global basis and manages ATM networks. The company enjoyed a very strong first quarter as investor fears about dynamic currency conversion proved to be unfounded, and earnings got positive support from Visa Inc.'s planned adoption of a key Euronet product.

## Detractors

- The fund's performance was negatively impacted by the underweight position in the real estate sector, which was one of the better performing sectors within the benchmark given the decline in interest rates during the quarter.
- In addition, stock selection was also weak within the real estate sector. During the quarter, Helen of Troy Ltd., AMN Healthcare Services Inc. and ProAssurance Corp. detracted the most from performance.
- Helen of Troy develops and markets a variety of personal care products, small home appliances and housewares. The stock had performed well in 2018 as the company consistently posted good earnings. However, the most recent quarter was mildly disappointing, as the company modestly reduced sales guidance for the coming fiscal year.
- AMN Healthcare provides temporary nurses, technicians and therapists as well as other healthcare staffing services to hospitals and healthcare facilities. The stock price declined as a result of the company announcing a weaker start than expected to 2019 due to certain integration and operational issues within a single, small line of business.
- ProAssurance is an insurance provider to the professional healthcare liability and workers compensation markets. The stock traded lower after a rare quarterly loss, which stemmed from accounting for a decline in the value of its equity portfolio and a loss in its insurance segment. In addition, investors were concerned that the recent pricing cycle upturn may be slowing.

## 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 the corporate enterprise. This approach is applied consistently over time, regardless of the current market environment.
- While many inefficiencies 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](http://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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