

Vaughan Nelson Mid Cap Fund



QUARTERLY PORTFOLIO COMMENTARY

Market Overview

US equity markets were led by larger capitalization stocks in the third quarter with the S&P 500 rising 0.58% and the Russell 2000 Value falling -2.98%. International equity markets were also mixed with the MSCI EAFE declining -1.01%. Returns were mixed in the third quarter as global equity markets grapple with slowing economic growth, rising energy prices, material supply chain disruptions offset by falling Covid cases and improving employment conditions. Global economic growth continues to moderate with particular weakness emanating from China. China has long been the engine of global growth, but with China’s policy focused on rebalancing its domestic economy the world will have to look elsewhere for economic leadership.

As Covid cases began to decline late in the third quarter, markets embraced risk by boosting economically sensitive sectors and increasing sovereign interest rates globally. Economic growth continues to be hindered by supply chain disruptions, low inventories, and rising commodity prices. As we move into 2022, markets should start to get a glimpse of what the new “post-Covid normal” looks like and to what extent inflation will be transitory. There is some solace in the fact that the inflationary cycle is now in a growth downturn, but such a downturn is no guarantee that inflation will be as low as it was for the last decade. Globally, there are significant geopolitical, demographic, and industry shifts under way that will materially change supply chains, trade flows, inflationary pressures, and currency flows. These shifts will become more apparent as we move through 2022 and could materially impact asset prices.

Portfolio Positioning

As a result of buys and sells and market action, the portfolio is overweight Information Technology, Healthcare, Financials, Utilities, and Materials while underweight Industrials, Consumer Staples, Communication Services, Consumer Discretionary, Energy, and Real Estate.

Contributors to Performance

During the quarter, the portfolio experienced negative absolute and relative performance. Positive contributions from Financials, Information Technology, Communication Services, Industrials, and Consumer Staples were offset by negative contributions from Consumer Discretionary, Materials, Real Estate, Healthcare, Energy, and Utilities.

Average annualized total returns (%) † as of 9/30/2021

	3 months	YTD	1 year	3 years	5 years	10 years
Class Y	-2.46	14.48	40.24	10.02	10.10	12.61
Russell Midcap® Value Index	-1.01	18.24	42.40	10.28	10.59	13.93

Performance data quoted represents past performance and is no guarantee 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. You may not invest directly in an index. †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.

Gross expense ratio 0.99% (Class Y share). Net expense ratio 0.90% (Class Y 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 4/30/23. 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.

Risks

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.

Definitions

The **Russell Midcap® Value Index** is an unmanaged index that measures the performance of the mid-cap value segment of the US equity universe. It includes those Russell Midcap® Index companies with lower price-to-book ratios and lower forecasted growth values. **S&P 500® Index** is a widely recognized measure of US stock market performance. It is an unmanaged index of 500 common stocks chosen for market size, liquidity, and industry group representation, among other factors. It also measures the performance of the large-cap segment of the US equities market. **Alpha** is a measure of the difference between a portfolio's actual returns and its expected performance, given its level of systematic market risk. A positive alpha indicates outperformance and negative alpha indicates underperformance, relative to the portfolio's level of systematic risk. You may not invest directly in an index.

Disclosure

Top 10 Holdings (as of 9/30/2021)

Security Description	% of Portfolio
Motorola Solutions, Inc.	4.62
Elanco Animal Health, Inc.	4.47
Alliance Data Systems Corp.	3.00
Skechers U.S.A., Inc.	2.92
Sotera Health Co.	2.88
Pioneer Natural Resources Co.	2.67
Performance Food Group Co.	2.66
Nexstar Media Group, Inc.	2.63
Crown Holdings, Inc.	2.44
Aramark	2.33

This information is dated and cannot be relied upon as current thereafter. This portfolio is actively managed and holdings are subject to change. There is no guarantee the fund continues to invest in the securities referenced, and the holdings identified do not represent all of the securities purchased, sold or recommended. Reference to specific securities or holdings should not be considered recommendations for action by investors.

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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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