

Natixis/Mirova Global Sustainable Equity ADR Strategy



QUARTERLY PORTFOLIO COMMENTARY

Global equity moved higher in the first quarter, as the Federal Reserve continued their holding pattern on overnight interest rates. Inflation continued to moderate, although it remains a key watchpoint along with a backdrop of greater geopolitical unease heading into a fall US election. The US economy has exhibited resilience, with robust unemployment levels and strong GDP growth. Investors have piled into risk assets as potential Fed rate cuts combined with more stable economic data suggest a soft-landing scenario. Annual US inflation was 3.5% in March, up slightly from February. Unemployment moderated at 3.8% in March, maintaining historically robust levels. United States GDP rose by an annualized rate of 3.4% in the fourth quarter of 2023. The MSCI World Index rose 9.0% over the quarter while the MSCI Emerging Markets Index rose 2.4%. The MSCI All Country World Index gained 8.3%. The best performing sectors over the quarter were communication services (+12.8%), information technology (+12.3%), financials (+10.4%), and energy (+9.7%). The worst performing sectors were real estate (-0.5%) and utilities (+1.2%). North America, the Middle East, and Japan showed strength, while Asia and Latin American experienced declines.

The Natixis/Mirova Global Sustainable Equity ADR Strategy rose in value and outperformed the MSCI World Index gross of fees and net of fees. Security selection was the driver of relative outperformance during the quarter, while sector allocation was a detractor. Securities selected in health care, information technology, and materials were the largest positive contributors. On the other hand, selections in industrials, financials, utilities, and consumer staples modestly detracted from results. From a sector allocation perspective, an overweight to utilities, an underweight to communication services, and an overweight to materials were the largest detractors. Underweights to consumer staples and having no weight to real estate were additive to relative return.

QTD Top/Bottom contributors to relative performance:

- The top 5 relative contributors were NVIDIA, Apple (not owned), Novo Nordisk, Taiwan Semiconductor, and Eli Lilly and Company.
- The bottom 5 relative detractors were Adobe, AIA Group, Vestas Wind Systems, Aptiv PLC, and Iberdrola.

Trades & Positioning:

- At the end of the quarter, the largest overweight sector was health care while the largest underweight sector was communication services.
- There were three new purchases and three full sellouts during the trailing three months ended February 2024. The new purchases were RELX PLC, Shopify, and Palo Alto Networks, and the full sellouts were Estee Lauder Companies, Mercedes-Benz Group, and Verizon Communications.

Markets have soared to new highs, with better than expected economic growth and investors remaining upbeat on the economic outlook. Inflation, monetary policy, and the trajectory of the US economy are watchpoints for investors. While economic data and investor sentiment have been strong, uncertainties linger. Geopolitical and macroeconomic weakness may continue to drive market volatility and dispersion. The resulting market environment has increasingly proven challenging to navigate. We continue to believe that active fundamental research combined with investment discipline provides an attractive way to navigate market uncertainty.

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Definitions

The **S&P 500® Index** is an unmanaged index of US common stocks frequently used as a measure of stock market performance. **Russell 1000® Growth Index** is an unmanaged index consisting of those companies in the Russell 1000® Index with higher than average price-to-book ratios and forecasted growth. The **NASDAQ Composite** includes 100 of the largest domestic and international non-financial companies listed on the Nasdaq Stock Market based on market capitalization. The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies including investment companies. The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The **MSCI All Country World Index ex US** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed (excluding the USA) and emerging markets. The index is shown with minimum dividend reinvested after deduction of withholding tax. The **MSCI Emerging Markets Index** is an unmanaged index that is designed to measure the equity market performance of emerging markets. The **MSCI All Country World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. These indexes are referred to for comparative purposes only and are not necessarily intended to parallel the risk or investment approach of the accounts included in the composites or the accounts managed by Natixis Advisors. Indexes are unmanaged and not available for direct investment. You may not invest directly in an index.

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Natixis Advisors, LLC and Natixis Distribution, LLC are located at 888 Boylston Street, Suite 800, Boston, MA 02199. 800-862-4863 • im.natixis.com

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