

Natixis/Loomis Sayles Large Cap Growth Strategy



QUARTERLY PORTFOLIO COMMENTARY

US equity markets soared in the fourth quarter, as the Fed confirmed a pause in rate rises, inflation continued to moderate, and the US economy hit its longest streak of unemployment below 4% since the Vietnam war. As a potential soft landing came into focus, investor optimism buoyed risk assets across equity and fixed income. Annual US inflation declined to 3.1% in November from 3.7% in August. Unemployment remained steady at 3.7% in December, up slightly from September levels. United States GDP rose by an annual rate of 4.9% in the third quarter of 2023, up significantly from 2.1% in the second quarter of 2023. The S&P 500® Index rose +11.7% for the quarter, with broadly positive results. Real Estate (+18.8%), Information Technology (+17.2%), Financials (+14.0%) and Industrials (+12.4%) were the top performers during the quarter. Energy (-6.9%) was the only negative returner during the quarter, though Consumer Staples (+5.5%) and Health Care (+6.4%) failed to keep up with an exuberant market. Growth and small-cap were the top performers during the quarter. The Russell 1000® Growth Index (+14.5%) outperformed the Russell 1000® Value Index (+9.5%), and the Russell 2000® Index (+14.0%) outperformed the Russell 1000® Index (+12.0%).

The Natixis/Loomis Sayles Large Cap Growth Strategy rose in value during the quarter and outperformed the Russell 1000® Growth index gross of fees (underperformed net of fees). Security selection drove relative outperformance, while sector allocation was a detractor. Securities selected in industrials, communication services and financials were the largest positive contributors, while selection in consumer discretionary detracted from relative returns. From a sector allocation perspective, an underweight to information technology and an overweight to communication services detracted from relative returns, while a lack of any energy exposure was a modest contributor.

QTD Top/Bottom contributors to relative performance:

- The most significant relative contributors were Boeing, Shopify, Block, Netflix and Salesforce.
- The most significant relative detractors were Oracle, Tesla, Broadcom, Microsoft and Yum China Holdings.

Trades & Positioning:

- At the end of the quarter, the largest overweight sector was communication services, while the largest underweight sector was information technology.
- There were no new purchases and no full sellouts during the trailing three months ended November 2023.

Year-to-date, the strategy rose in value and significantly outperformed the benchmark gross and net of fees. Stock selection drove relative outperformance, while sector allocation was a modest detractor. Selections in information technology, communication services, health care and industrials positively contributed to relative return, offset partially by underperforming names in consumer discretionary and financials. From a sector allocation perspective, an underweight to information technology detracted the most, followed by an overweight to financials and an overweight to health care. An overweight to communication services, an underweight to consumer staples and no exposure to energy contributed to relative returns.

YTD Top/Bottom contributors to relative performance:

- The most significant relative contributors were Meta Platforms, Nvidia, Salesforce, Shopify and UnitedHealth Group.
- The most significant relative detractors were Illumina, Walt Disney, Monster Beverage, Starbucks and Microsoft.

Investors remain focused on monetary policy and the trajectory of economic growth. While economic data and investor sentiment have improved significantly, recessionary risks remain. Geopolitical and macroeconomic risks may continue to drive market volatility and dispersion as multiple active wars, election years, and other potential conflicts play out over 2024. We continue to believe that active fundamental research combined with investment discipline provides an attractive way to navigate an uncertain and reactionary market environment.

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Natixis Distribution, LLC and Natixis Advisors, LLC are located at 888 Boylston Street, Suite 800, Boston, MA 02199-8197. 800-862-4863.
im.natixis.com

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