

## Natixis/Mirova Global Sustainable Equity ADR Strategy



### QUARTERLY PORTFOLIO COMMENTARY

Global 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 MSCI World Index rose 11.4% over the quarter while the MSCI Emerging Markets Index rose 7.9%. The MSCI All Country World Index rose 11.0%. The best performing sectors over the quarter were information technology (17.7%), real estate (17.5%) and industrials (14.0%). The worst performing sectors were energy (-3.9%) and consumer staples (5.5%). Country components of the index skewed towards positive performance, with the worst performing being Sweden, Netherlands, Australia, and Portugal. North America showed strength, while Asia and the Middle East saw more muted gains in relative terms.

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 also additive. Securities selected within industrials, health care, materials and financials were the largest contributors. On the other hand, selection within consumer discretionary, utilities and information technology detracted from results. From a sector allocation perspective, underweights to energy and consumer staples were the largest positive contributors. An overweight to health care and having no weight to real estate detracted from relative returns.

QTD Top/Bottom contributors to relative performance:

- The top 5 relative contributors were Vestas Wind Systems, Adyen, ASML Holding, Xylem, and Watts Water Technologies.
- The bottom 5 relative detractors were Aptiv PLC, eBay, Takeda Pharmaceutical Co, Thermo Fisher Scientific, and Orsted.

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 one full sellout during the trailing three months ended November 2023. The new purchases were Astrazeneca, Veralto, and Waste Management and the full sellout was Orsted.

Year-to-date, the strategy rose in value but underperformed the benchmark gross and net of fees. Security selection was the driver of relative underperformance, while sector allocation also detracted year to date. Securities selected within financials, consumer discretionary, utilities and industrials were the largest detractors. Selection in health care and information technology was additive to relative returns. From a sector allocation perspective, overweights to utilities and health care, and an underweight to communication services, were the largest detractors. Underweights to consumer staples and energy helped partially offset otherwise negative sector allocation.

YTD Top/Bottom contributors to relative performance:

- The top 5 relative contributors were Nvidia, Novo Nordisk, Adobe, Eli Lilly, and MercadoLibre.
- The bottom 5 relative detractors were SVB Financial Group, AIA Group, NextEra Energy, Orsted, and Thermo Fisher Scientific.

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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#### 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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