

Natixis/Loomis Sayles Global Growth 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/Loomis Sayles Global Growth portfolio rose in value and outperformed the MSCI All Country World Index gross and net of fees. Outperformance was primarily driven by stock selection, while sector allocation was a modest detractor. Securities selected in financials, health care, industrials, and information technology were the largest contributors. There were no detractive sectors from a stock selection perspective. Looking at sector allocation, an underweight to information technology, and overweights to communication services and health care negatively contributed to relative returns. Underweights to energy and consumer staples were additive.

QTD Top/Bottom contributors to relative performance:

- The most significant relative contributors were Adyen, Shopify, Boeing, MercadoLibre, and Netflix.
- The most significant relative detractors were Yum China Holdings, Baidu, Oracle, Tencent, and Tesla.

Trades & Positioning:

- At the end of the quarter, the largest overweight sector was communication services, while the largest underweight sector was financials.
- There were two new purchases and no full sellouts during the trailing three months ended November 2023. The new purchases were ARM Holdings and Sandoz Group.

Year to date, the strategy rose in value and significantly outperformed the benchmark gross and net of fees. Outperformance was primarily driven by security selection, while sector allocation was also additive. Securities selected in communication services, consumer discretionary, health care and information technology drove the majority of excess return, while selections in industrials marginally detracted from results. From a sector allocation standpoint, an overweight to communication services, an underweight to energy, an overweight to consumer discretionary, and an underweight to utilities were the largest contributors year to date. On the other hand, an underweight to information technology and an overweight to health care detracted from relative returns marginally.

YTD Top/Bottom contributors to relative performance:

- The top 5 relative contributors were Meta Platforms, MercadoLibre, Shopify, Amazon and Tesla.
- The bottom 5 relative detractors were Alnylam Pharmaceuticals, Nvidia (not owned), Apple (not owned), Tencent and Yum China Holdings.

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.

Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.

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