

Natixis/Loomis Sayles SMID 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 SMID strategy rose in value but underperformed the Russell 2500[™] gross of fees and net of fees. Security selection was the primary driver of underperformance, while sector allocation was also detractive during the quarter. Securities selected in health care, energy, communication services and information technology were the largest detractors. This was partially offset by positive selection in industrials, consumer discretionary and real estate. From a sector allocation perspective, an overweight to energy and an underweight to financials detracted from relative returns, while a modest underweight to consumer staples contributed to relative return.

QTD Top/Bottom contributors to relative performance:

- The top 5 relative contributors were Expedia, APi Group, PulteGroup, Colliers International and Kadant.
- The bottom 5 relative detractors were ChampionX, Kosmos Energy, Expro Group, Valaris and Lantheus Holdings.

Trades & Positioning:

- At the end of the quarter, the largest overweight sector was industrials, while the largest underweight sector was financials.
- There were six new purchases and four eliminated positions during the trailing three months ended November 2023. The new purchases were Clean Harbors, Federal Agriculture Mortgage, Mural Oncology, NCR Atleaos, UFP Technologies and Weatherford International. The full sellouts were Ashland, Expro Group, Valvoline and ZimVie.

Year to date, the strategy rose in value and outperformed the benchmark gross and net of fees. Outperformance was primarily driven by security selection, while sector allocation was also positive. Securities selected in information technology, consumer discretionary, utilities and energy were the largest positive contributors to relative returns. Selections in communication services, financials, real estate and consumer staples detracted. From a sector allocation standpoint, an overweight to industrials and underweights to financials and utilities positively contributed while an underweight to information technology and a modest overweight to health care were detractors.

YTD Top/Bottom contributors to relative performance:

- The top 5 relative contributors were PulteGroup, Super Micro Computer, Kadant, Api Group and National Instruments Corporation.
- The bottom 5 relative detractors were Concentrix, Genpact, Frontier Communications Parent, Liberty Media Liberty SiriusXM and Lantheus 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. The commentary reflects the opinions of the commentators as of the date indicated. This commentary is a service provided to customers of Natixis Advisors, LLC ("Natixis Advisors") for informational purposes. We believe the information contained in this commentary is reliable, but do not guarantee its accuracy. This economic overview is provided for informational purposes only and is not meant as investment advice. Reference to specific securities or industries should not be considered recommendations or advice for individual investors. The reader should not assume that an investment in these securities was or will be profitable. A complete list of all past recommendations made within the immediately preceding 12-month period is available upon request. There is no assurance that any predictions or projections will occur. This material is dated as indicated, and opinions and viewpoints may change as economic conditions change.

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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 **Russell 1000® Value Index** is an unmanaged index consisting of those companies in the Russell 1000® Index with lower than average price-to-book ratios and forecasted growth. The **Russell 1000® Index** measures the performance of the 1,000 largest companies in the Russell 3000® Index. The **Russell 2000® Index** measures the performance of the small-cap segment of the US equity universe. The Russell 2000® is a subset of the Russell 3000® Index and includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The **Russell 2500™ Index** measures the performance of the 2,500 smallest companies in the Russell 3000® Index. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group. 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. **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

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