

## Natixis/Loomis Sayles SMID Strategy



### QUARTERLY PORTFOLIO COMMENTARY

US Equity markets fell in the first quarter, with the S&P 500<sup>®</sup> and Dow Jones Industrial Average shedding -4.3% and -0.9%, respectively. Notably, the tech-heavy Nasdaq Composite entered correction territory, falling -10.3% in the quarter as markets continue to digest the tariff-driven volatility. The Fed held rates steady, maintaining the 4.25%–4.50% range at both the January and March FOMC meetings. Although inflation expectations rose, annual US inflation continued to moderate, with a reading of 2.8% in February, while the unemployment rate came in at 4.2% in March. United States GDP rose by an annualized rate of 2.4% in the fourth quarter of 2024, down slightly from 2.8% in the third quarter. The Atlanta Fed's GDPNow model estimates a 2.8% contraction in first quarter GDP, based on data available through the end of March. Within the S&P 500<sup>®</sup>, energy (+9.9%), healthcare (+6.4%), and consumer staples (+5.0%) were the top contributing sectors, while consumer discretionary (-13.9%), information technology (-12.7%), and communication services (-6.3%) were the largest detractors. During the quarter, value (Russell 1000<sup>®</sup> Value +2.1%) sharply outperformed growth (Russell 1000<sup>®</sup> Growth -10.0%), and large-cap stocks (Russell 1000<sup>®</sup> Index -4.5%) held up better than small-cap stocks (Russell 2000<sup>®</sup> -9.5%).

Quarter to date (QTD), the Natixis/Loomis Sayles SMID strategy fell in value and outperformed the Russell 2500<sup>®</sup> gross and net of fees. Security selection drove relative outperformance, while sector allocation was modestly negative. Securities selected in healthcare, industrials, communication services, and information technology were the largest contributors, partially offset by negative selections in utilities, financials, and energy. From a sector allocation perspective, underweights to financials and real estate, and an overweight to industrials detracted from relative returns, while an overweight to utilities was additive.

QTD top/bottom contributors to relative performance:

- The top 5 relative contributors were Option Care Health, Beacon Roofing Supply, Chemed Corporation, Nomad Foods, and Telephone & Data Systems.
- The bottom 5 relative detractors were Five9, Herc Holdings, Boot Barn, Arcosa, and Weatherford International.

Trades and positioning:

- At the end of the quarter, the largest overweight sector was industrials, while the largest underweight sector was financials.
- There were 11 new purchases and nine eliminated positions during the trailing three months ended February 2025. The five most significant new purchases by weight were IQVIA Holdings, Amentum Holdings, Dana Inc., Allison Transmission, and Advanced Drainage Systems. The five most significant full sellouts by weight were Roivant Sciences, Avantor Inc., W.R. Berkley Corp., Ingersoll Rand, and KBR Inc.

Global markets faced increased volatility in the first quarter, as tariff-driven economic and geopolitical concerns have risen to the forefront. Resulting recession risks, unemployment uncertainty, weakening consumer sentiment, and sticky inflation may spur further volatility. 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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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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