

## Natixis/Vaughan Nelson Small Cap Value Equity Strategy



### QUARTERLY PORTFOLIO COMMENTARY

US equity markets moved higher in the first quarter, as the Fed continued their holding pattern on overnight interest rates. Inflation continued to moderate, although it remains a key watchpoint along with a backdrop of greater geopolitical unease heading into a fall US election. The US economy has exhibited resilience with robust unemployment levels and strong GDP growth. Investors have piled into risk assets as potential Fed rate cuts combined with more stable economic data suggest a soft landing scenario. Annual US inflation was 3.5% in March, up slightly from February. Unemployment moderated at 3.8% in March, maintaining historically robust levels. United States GDP rose by an annualized rate of 3.4% in the fourth quarter of 2023. The S&P 500® Index rose (+10.6%) for the quarter, with broadly positive results. Communication Services (+15.8%), Energy (+13.7%), Information Technology (+12.7%), Financials (+12.5%), and Industrials (+11.0%) were the top performers during the quarter. Real Estate (-0.6%) was the only negative returning sector during the quarter. Growth and large cap outperformed value and small cap during the quarter, although value rallied late in the period. The Russell 1000® Growth Index (+11.4%) outperformed the Russell 1000® Value Index (+9.0%), and the Russell 1000® Index (+10.3%) outperformed the Russell 2000® Index (+5.2%).

The Natixis/Vaughan Nelson Small Cap Value strategy rose in value and outperformed the Russell 2000® Value Index gross and net of fees. Security selection primarily drove relative outperformance during the quarter, though sector allocation was also positive. Securities selected in industrials, consumer discretionary, financials and energy were the largest contributors, while selections in health care and materials detracted from results. From a sector attribution perspective, the largest contributors were an overweight to industrials and an underweight to financials. This was partially offset by underweights to health care and energy that detracted from results.

QTD Top/Bottom contributors to relative performance:

- The most significant relative contributors were Core & Main, Installed Building Products, Saia, Kirby and Permian Resources.
- The most significant relative detractors were International Game Technology, Rambus, National Storage Affiliates, First American Financial and Coca-Cola Consolidated.

Trades & Positioning:

- At the end of the quarter, the largest overweight sector was industrials, while the largest underweight sectors were financials and health care.
- During the trailing three months ending February 2024 there were seven new purchases and thirteen full sell outs. The most significant new buys were Evercore, Cushman & Wakefield, HealthEquity, Skechers USA and MBW Technologies. The most significant full sellouts were Spire, Advanced Energy Industries, Equity Commonwealth, Cboe Global Markets and Avantor.

Markets have soared to new highs with better-than-expected economic growth and investor sentiment. Inflation, monetary policy, and the trajectory of the US economy are watchpoints for investors. While economic data and investor sentiment have been strong, uncertainties linger. Geopolitical and macroeconomic weakness may continue to drive market volatility and dispersion. 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.

**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.

**Investment Risks:** All securities are subject to risk, including possible loss of principal. Please read the risks associated with each investment prior to investing. Detailed discussions of each investment's risks are included in Part 2A of each firm's respective Form ADV. The investments highlighted in this presentation may be subject to certain additional risks. The views and opinions expressed may change based on market and other conditions. This material is provided for informational purposes only and should not be construed as investment advice. There can be no assurance that developments will transpire as forecasted. Actual results may vary.

### 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. You may not invest directly in an index. 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.

This document may contain references to third party copyrights, indexes, and trademarks, each of which is the property of its respective owner. Such owner is not affiliated with Natixis Investment Managers or any of its related or affiliated companies (collectively "Natixis") and does not sponsor, endorse or participate in the provision of any Natixis services, funds or other financial products.

The index information contained herein is derived from third parties and is provided on an "as is" basis. The user of this information assumes the entire risk of use of this information. Each of the third party entities involved in compiling, computing or creating index information disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to such information.

Actual holdings in client accounts may vary from the model portfolio. Natixis Advisors will combine the investment recommendations from the model portfolio provider with the ability to customize and tailor individual portfolios to meet clients' specific needs, such as cash flows, tax issues and other needs. These recommendations will typically mirror those implemented by the model portfolio provider for its discretionary client portfolios, subject to differences relating to client guidelines, account size, tax needs and other factors. In most cases, Natixis Advisors expects to invest substantially in line with the recommendations provided by the model portfolio provider. Portfolio transactions will be effected either by Natixis Advisors or the model portfolio provider. When effected by the model portfolio provider, transactions will be aggregated with those of its other clients, in an effort to seek best overall execution. Significant dispersion may occur among the holdings and performance of the model portfolio, the client accounts managed by Natixis Advisors using the model portfolio, and the accounts managed by the model portfolio provider on a discretionary basis included in the institutional composite for a variety of reasons. Such reasons include differing account sizes, differing cash flows, the timing and terms of execution of trades, individual client needs, and differing tax situations. The holdings, characteristics and performance of your portfolio may be different from the holdings, characteristics and performance information presented here in this report. For more complete information, please see Part II of Natixis Advisors' Form ADV.

Natixis Advisors, LLC provides advisory services through its division Natixis Investment Managers Solutions. Advisory services are generally provided with the assistance of model portfolio providers, some of which are affiliates of Natixis Investment Managers, LLC.

Natixis Distribution, LLC is a limited purpose broker-dealer and the distributor of various registered investment companies for which advisory services are provided by affiliates of Natixis Investment Managers. Natixis Distribution, LLC and Vaughan Nelson Investment Management are affiliated.

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

1089266.38.1  
Exp. 8/15/24  
P-NVNSCV03-0324