NATIXIS INVESTMENT MANAGERS | SOLUTIONS

Tax Management Update

Q1 2024

Equity markets began 2024 with very strong performance with stocks rising dramatically during the first quarter. The good-sized increase in markets was driven by a number of factors including strong corporate earnings and a stabilization in both interest rates and inflation. Speculation around Fed rate cuts and interest rates more generally remains a key variable. The market is still expecting rate cuts later in the year, although the frequency and aggressiveness of rate reductions will likely be less than previously forecast.

On tax policy, the gears in Washington continue to move slowly, but there are some signs as to how each party may approach negotiations in the next Congress when some Tax Cuts and Jobs Act (TCJA) provisions are set to expire (end of 2025). While we're nearly six months into fiscal year 2024, Congress just resolved the budget and it's already time for fiscal year 2025 conversations to start. President Biden kicked the process off by unveiling his vision for taxing and spending next year and there was continuity in the administration's approach. The Democratic incumbent is calling for Congress to increase taxes on high earners and corporations, in part, to fund additional spending on priorities like family leave and reducing healthcare costs and to help to reduce the deficit. Meanwhile a bi-partisan tax bill, which passed the House, is languishing in the Senate. Its basic aims are to expand the child tax credit, a Democratic priority, and reinstate some business research tax deductions, a Republican priority.

Tax code changes likely on hold

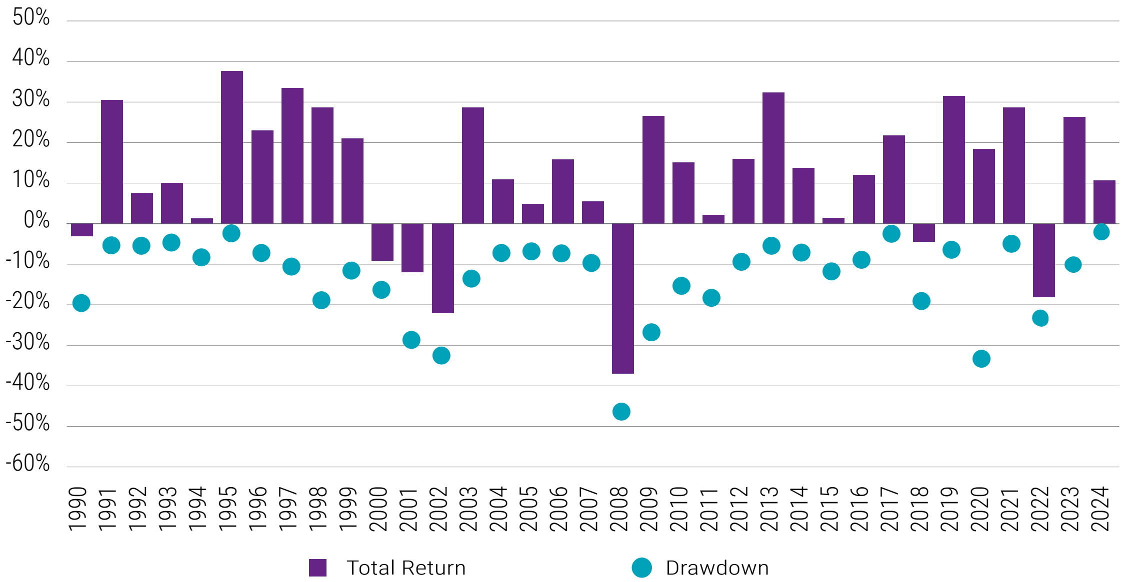
Meaningful change to the tax code will likely not take place until after the election and the range of potential outcomes is quite wide, depending on who wins. A Democratic sweep would likely lead to an increase in taxes on the wealthy and corporations. A Republican sweep would potentially see a very different outcome, with lower tax rates on corporations and less dramatic personal tax rate changes. A divided government might see little to no change, given differing views and priorities.

The number of stocks in the S&P 500® posting positive returns during Q1 came in at approximately 73% – a good deal higher than the 64% that we saw for the full year 2023.

Peter Klos, CFA®
Client Portfolio Manager
Natixis Investment Managers Solutions

(Continued)

FIGURE 1: Annual total return and max drawdown for the S&P 500® by calendar year

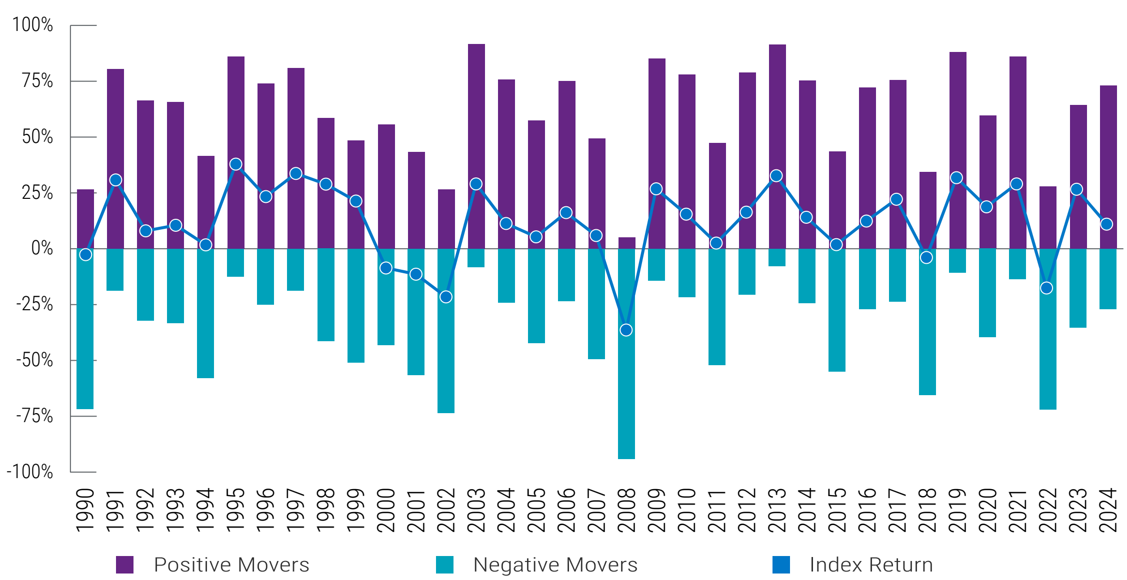


Source: FactSet, Natixis Investment Managers Solutions
Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.

More winners than losers

The number of stocks in the S&P 500® posting positive returns during Q1 came in at approximately 73%, which is a good deal higher than the 64% figure that we saw for the full year 2023. Given this broad-based strength in the market, we saw the S&P 500® post a 10.6% return. In the past couple of decades, in years where the market is up 10% to 15%, the number of stocks with positive returns has tended to be around 75%. So unlike 2023, where a relatively small number of mega cap stocks drove performance, Q1 strength was a good deal more evenly distributed. With that said, some of the highfliers from the past couple of years continue to post excellent returns, with NVIDIA (+82%) and Meta (+37%) performing especially well year to date.

FIGURE 2: Winners, losers, and total return for the S&P 500® by calendar year



Source: FactSet, Natixis Investment Managers Solutions
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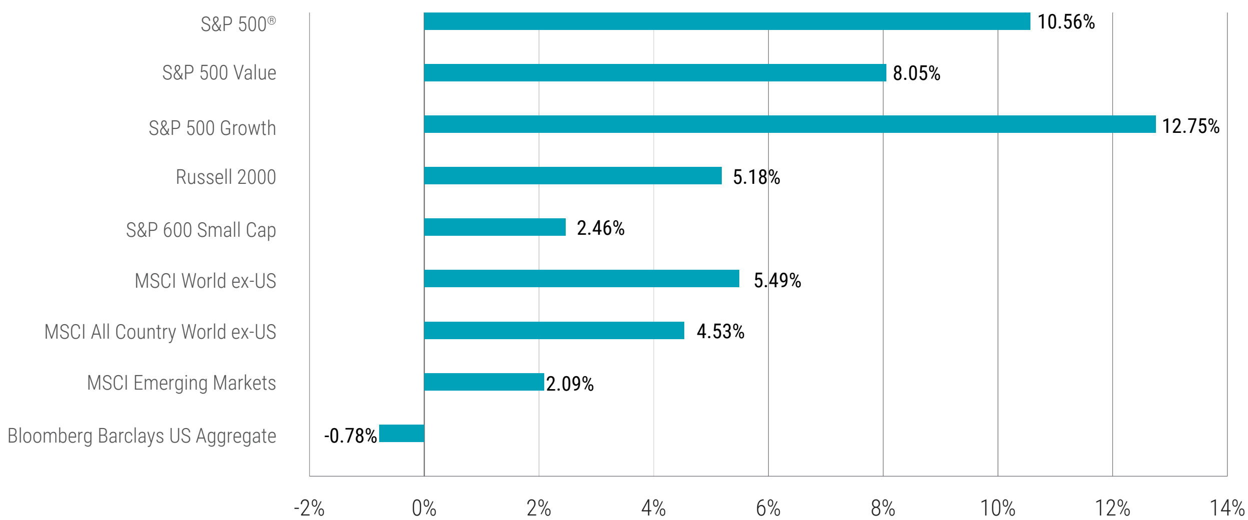
Tax Management Update – **Q1 2024** (continued)

Returns for equity indexes were notably positive during the period. For the quarter, all of the major U.S.-based equity indexes were up in value, with the S&P 500® Growth Index performing especially well, up 12.8%. Broad-based large caps, as represented by the S&P 500®, also managed to rise by approximately 10.6%. Small caps also rose during the period, but tended to lag large cap stocks. International stocks generally lagged the US, with the MSCI EAFE Index rising "only" 5.7%. Emerging markets were also an area of relative weakness as the MSCI Emerging Markets index rose approximately 2.1% for the period. Fixed income markets were somewhat mixed as rate cut expectations were pushed out during the quarter. The Bloomberg US Aggregate Bond Index fell around 0.8%, while other lower-quality bonds, like high yield, tended to rise in value (BofA US High Yield rose 1.5%).

FIGURE 3: Year-to-date returns for select indices (3/31/24)



Source: FactSet
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Tax loss harvesting opportunities in shorter supply

Q1 2024 represented a somewhat muted period from a loss harvesting perspective. Stocks generally ended 2023 at elevated levels and then a broad-based advance during the first quarter tended to move them up higher. Dispersion of returns across individual companies came down somewhat, with only 27% of S&P 500® companies falling in value over the course of Q1. This company-specific dispersion (when accessed via a separately managed account) still provides some opportunities for harvesting, as investors oftentimes have at least some exposure to underperforming names. This harvesting opportunity varies quite a bit based on client-specific events (when the client invested, cash flows, etc.), along with manager changes, but generally speaking, equity and fixed income portfolios tended to have some opportunities to harvest losses in Q1.

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S&P 500 Value: The index measures the performance of the large-capitalization value sector in the US equity market. It is a subset of the S&P 500 Index and consists of those stocks in the S&P 500 Index exhibiting the strongest value characteristics.

S&P 500 Growth: The index measures the performance of the large-capitalization growth sector in the US equity market. It is a subset of the S&P 500 Index and consists of those stocks in the S&P 500 Index exhibiting the strongest growth characteristics.

Russell 2000: The Russell 2000® Index is an unmanaged index that measures the performance of the small-cap segment of the US equity universe.

S&P 600 Small Cap: The S&P SmallCap 600 covers approximately 3% of the domestic equities market. Measuring the small-cap segment of the market that is typically renowned for poor trading liquidity and financial instability, the index is designed to be an efficient portfolio of companies that meet specific inclusion criteria to ensure that they are investable and financially viable.

MSCI World ex US: The MSCI World ex USA Index (Net) is an unmanaged index that is designed to measure the equity market performance of developed markets, excluding the United States.

MSCI All Country World ex US: 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.

MSCI Emerging Markets: The MSCI Emerging Markets Index is an unmanaged index that is designed to measure the equity market performance of emerging markets.

Bloomberg Barclays U.S. Aggregate: The Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index that covers the US-dollar-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, government-related, corporate, mortgage-backed securities, asset-backed securities, and collateralized mortgage-backed securities sectors.

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