SOLUTIONS

Q3 | September 30, 2024

Natixis/Loomis Sayles Large Cap Growth Strategy

QUARTERLY PORTFOLIO COMMENTARY

US equity markets continued to move higher in the third quarter with both the S&P 500® and Dow Jones Industrial Average ending September at record highs. Most notably, the Fed embarked on its much-anticipated easing cycle by cutting rates 50 basis points (bps) to 4.75%–5.00% at the September FOMC meeting, its first rate cut in four years. With inflation softening and closing in on its long-term target, the Fed's focus has shifted to supporting the labor market, as unemployment continued to tick meaningfully higher, albeit from a near-historical low starting point. As Q3 brought more normalized economic data, investors are increasingly expecting a soft landing. Annual US inflation was 2.5% in August, the lowest since February 2021, and unemployment rose to 4.2%. United States GDP rose by an annualized rate of 2.8% in the second quarter of 2024, significantly higher than last quarter's 1.4% increase. The S&P 500® Index rose (+5.9%) for the quarter, with broadly positive results. Utilities (+19.1%), real estate (+16.9%), and industrials (+11.4%) were the top performers during the quarter. Energy (-2.6%), information technology (+1.6%), and communication services (+1.6%) were the top detracting sectors during the quarter. Value substantially outperformed growth over the quarter, with the Russell 1000® Value Index (+9.4%) vs. the Russell 1000® Growth Index (+3.2%), and the Russell 2000® Index (+9.3%) outperformed the Russell 1000® Index (+6.1%).

The Natixis/Loomis Sayles Large Cap Growth Strategy rose in value during the quarter and outperformed the Russell 1000® Growth Index gross of fees and net of fees. While security selection primarily drove outperformance, sector allocation also contributed positively. Securities selected in consumer discretionary, information technology, communication services, and healthcare were the largest contributors, while selections made in industrials and financials detracted. From a sector allocation perspective, an underweight to information technology and overweights to financials, industrials, and consumer discretionary contributed to relative returns, while an overweight to communication services detracted from results.

Quarter-to-date top/bottom contributors to relative performance:

- The most significant relative contributors were: Tesla, Oracle, Microsoft, Shopify, and Meta Platforms.
- The most significant relative detractors were: Boeing, Apple (not owned), Novo Nordisk, Qualcomm, and Disney.

Trades & Positioning:

- At the end of the quarter, the largest overweight sector was communication services, while the largest underweight sector was information technology.
- There were two new purchases and no full sales in the trailing three months ended August 2024. The new buys were Grail Inc (spin-out), and Nike Inc.

Year-to-date, the strategy rose in value but underperformed the benchmark gross and net of fees. Sector allocation drove relative underperformance, while stock selection also detracted. An underweight to information technology detracted the most, followed by an allocation to cash, and overweights to financials and health care. A significant overweight to communication services and consumer discretionary and an underweight to real estate positively contributed to relative returns. From a security selection perspective, stocks in industrials, financials, and consumer staples drove underperformance, offset partially by positive selections in information technology, consumer discretionary, and communication services.

Year-to-date top/bottom contributors to relative performance:

- The most significant relative contributors were Meta Platforms, Oracle, Nvidia, Netflix, and Microsoft.
- The most significant relative detractors were Boeing, Monster Beverage, Visa, Broadcom (not owned), and Eli Lilly (not owned).

Markets have performed well thus far in 2024, with Q3 being no exception, as expectations of Global Central Bank rate cuts have buoyed risk assets. Traditionally, markets have reacted positively in election years, although unemployment and consumer spending remain key concerns for investors. With these uncertainties, ongoing geopolitical tensions and macroeconomic weakness may spur market volatility. The resulting market environment has increasingly proven challenging to navigate. We continue to believe that active fundamental research combined with investment discipline can provide an attractive way to navigate market uncertainty.

Natixis Advisors, LLC provides discretionary advisory services through its division Natixis Investment Managers Solutions. Discretionary 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 Loomis, Sayles & Company, L.P. are affiliated.

Natixis Distribution, LLC and Natixis Advisors, LLC are located at 888 Boylston Street, Suite 800, Boston, MA 02199-8197. 800-862-4863. im.natixis.com

1089229.48.1
Exp. 2/15/25
P-NLSLCG03-0924