NATIXIS INVESTMENT MANAGERS | SOLUTIONS

Q3 2024

Tax Management Update

Markets move higher despite Fed cut and election uncertainty

Equity markets have increased substantially in 2024, with large-cap stocks continuing to perform well during the third quarter. Although mega-caps continue to perform well, we saw a general broadening of strength across the market, with smaller cap and value stocks having a very strong period. In September, the Fed reduced the federal funds rate as expected, which was received positively across equity and fixed income markets. The market expects additional rate cuts in the coming months and quarters, although the frequency and aggressiveness of rate reductions will depend on trends in employment and inflation.

The presidential election remains top of mind for many investors, and there were some fairly significant shifts over the course of the third quarter. Kamala Harris replaced Joe Biden as the Democratic nominee in August and has seemingly reenergized Democratic voters, in particular. Donald Trump also survived multiple assassination attempts, which clearly could have dramatically impacted the election. Both candidates selected running mates, and the various polls show a very close race both for the presidency and for control of the Senate and House of Representatives.

Tax policy rhetoric on the campaign trail

From a tax perspective, the candidates have outlined a number of changes that they'd like to make. Trump's platform generally calls for lower taxes and higher tariffs. Trump suggests he would make the expiring individual and estate tax cuts from the Tax Cuts and Jobs Act (TCJA) permanent; discontinue the state and local tax (SALT) deduction cap; eliminate taxes on Social Security benefits and tipped and overtime wages; lower the corporate tax rate from 21% to 20% for all companies, and to 15% for companies that make products in the US; impose a universal tariff of 10% to 20%, as well as a 60% tariff on imports from China.

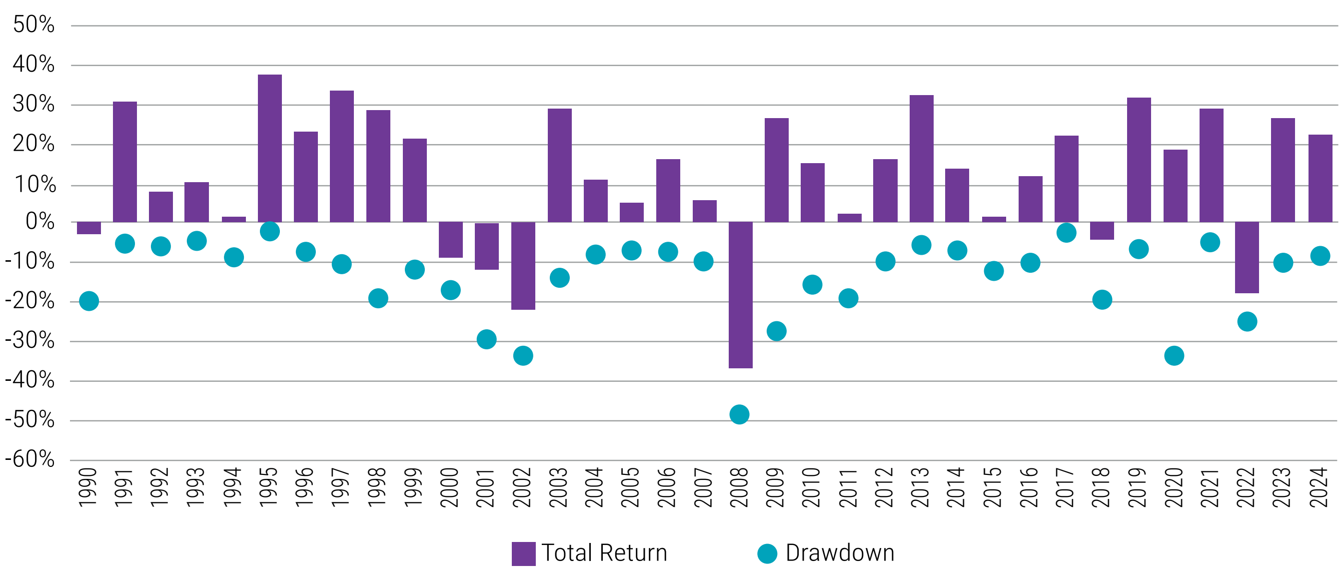
> "A proactive harvesting process looking for opportunities throughout the year can take advantage of these pockets of weakness, even though the general trend of equity markets remains positive.

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

Vice President Harris has called for a mix of lower taxes for some Americans and small businesses, and an increase for higher earners as well as corporations. Much of Harris' proposal is drawn from President Biden's tax plan with some exceptions. She would seek to extend the TCJA tax rates for those earning less than $400K; eliminate taxes on tips; increase the child tax credit up to $6K; give $25K in down-payment assistance for first-time home buyers; increase the Medicare tax from 3.8% to 5% for people earning more than $400K; tax unrealized gains on those with net worth exceeding $100M; raise the long-term capital gains tax rate on those earning over $1M from 20% to 28%; raise the corporate tax rate from 21% to 28%; increase stock repurchase excise tax from 1% to 4%; and expand the small-business start-up deduction from $5K to $50K.

There are still tax and economic policy areas that each candidate has not yet clearly defined and have not received as much coverage. And, while there are notable differences between their positions, Harris and Trump do have some elements, generally, in common. Both have expressed broad support for the child tax credit. As mentioned above, Harris would increase it up to $6K, while Trump has signaled support for the credit, but his running mate, JD Vance, has suggested he'd like to see the credit at $5K. After Trump announced his own policy to eliminate taxes on tips, Harris rolled out her policy, which would do the same with a few caveats. Another commonality for both candidates is that their proposals are receiving criticism from some economists. Both candidates' plans would add to the deficit, and economists have warned that Harris' tax credit for first-time home buyers and Trump's tariffs could increase prices. Each candidate's ability to implement these changes will be highly dependent on control across the House and Senate as well. A split situation will likely lead to less extreme changes.

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

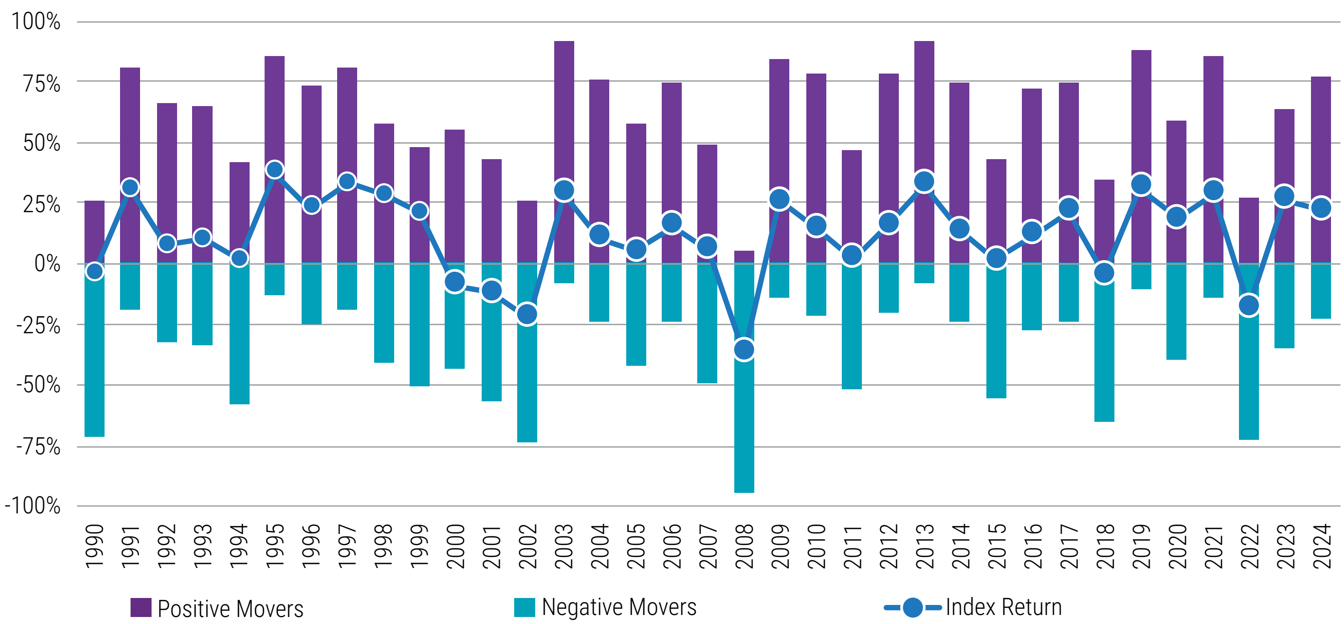


Source: FactSet, Natixis Investment Managers Solutions
Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.

Positive performance broadened across sectors

The number of stocks in the S&P 500® posting positive returns increased materially during Q3, with over 76% of the individual names rising in value over the course of the first nine months of 2024. Although there are clearly some very big winners, especially in the technology space, positive performance really broadened out nicely as a variety of individual stocks and sectors moved to new all-time highs. This 76% level is considerably higher than what we saw in 2023 and 2022, but remains below the near-term high level of 86%, which we saw in 2021. In terms of individual names, NVIDIA remains the standout performer among the mega-cap stocks, rising approximately 145% year to date (YTD). The 30 largest stocks in the index are all up in value YTD, with names like Meta (62%), Broadcom (56%) and Eli Lilly (52%) all performing especially well. Although still up in value for the period, Tesla is a notable detractor, increasing by "only" around 5%.

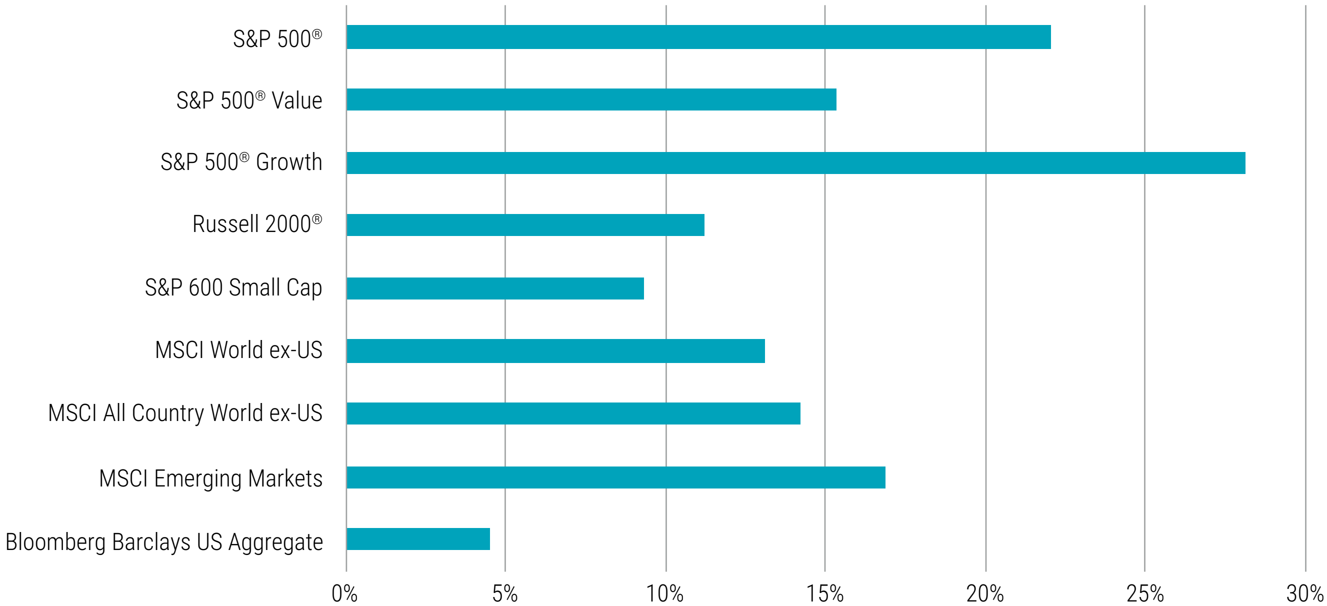
FIGURE 2: Winners, losers, and total return for the S&P 500® by calendar year



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

Returns for equity indices were nicely positive for the quarter, although there were notable differences when looking across different cap sizes and value/growth. Broad-based large-caps, as represented by the S&P 500®, increased by approximately 5.9% for the quarter, with growth (S&P 500® Growth up 3.7%) lagging value (S&P 500® Value up 9.1%). Value outperforming growth was a fairly significant shift when compared to the first six months of 2024. For the full nine-month period, growth is still outperforming value. Small-caps rose dramatically during the quarter, with the S&P 600 increasing by approximately 10.1%. This pushed small-caps into positive territory for the year, as the asset class was slightly down over the first six months of 2024. International stocks were up nicely as well, with the MSCI EAFE Index rising 7.3% during Q3. Emerging markets were an area of strong performance, with the MSCI Emerging Markets Index rising approximately 8.7%. Fixed income markets also enjoyed a strong rebound during the quarter, moving them into solid positive territory for the year. The Bloomberg US Aggregate Bond Index rose 5.2% for the quarter, while the ICE BofA US High Yield Index also rose (5.3%).

FIGURE 3: 2024 year-to-date returns for select indices (as of 9/30/2024)



Source: FactSet

Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.

Loss harvesting opportunities in Q3

Q3 2024 presented some opportunities from a loss harvesting perspective. Although the broad-based S&P 500® continued to increase in value, there was some volatility in the markets, especially in early August. A proactive harvesting process looking for opportunities throughout the year can take advantage of these pockets of weakness, even though the general trend of equity markets remains positive. This harvesting opportunity will vary 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 see fairly limited harvesting opportunities in Q3.

To learn more about direct indexing separate account strategies, contact your financial professional.

Visit: im.natixis.com
Call: 800-862-4863

NATIXIS INVESTMENT MANAGERS SOLUTIONS – DIRECT INDEXING

Natixis Investment Managers Solutions provides design, development, and execution of portfolio strategies tailored to specific investment objectives and unique portfolio constraints. Our Direct Indexing strategies can be customized to maximize after-tax return, align with personal values, or pursue specific investment objectives.

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 600 Small Cap 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-US 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 ex-US Index 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.

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.

Indexes are not investments, do not incur fees and expenses, and are not professionally managed. It is not possible to invest directly in an index. Investment risk exists with equity, fixed income, and alternative investments. There is no assurance that any investment will meet its performance objectives or that losses will be avoided.

Natixis Advisors, LLC • **Investing involves risk, including risk of loss.**

Natixis Advisors, LLC does not offer tax advice. Clients should always consult with their tax advisor to discuss their personal situation. Use of overlay management and tax management strategies does not guarantee a profit or protect against a loss in an investor's portfolio. • This document may contain references to copyrights, indexes and trademarks that may not be registered in all jurisdictions. Third-party registrations are the property of their respective owners and are not affiliated with Natixis Investment Managers or any of its related or affiliated companies (collectively "Natixis"). Such third-party owners do not sponsor, endorse or participate in the provision of any Natixis services, funds or other financial products. • CFA® and Chartered Financial Analyst® are registered trademarks owned by the CFA Institute.

Natixis Investment Managers includes all of the investment management and distribution entities affiliated with Natixis Distribution, LLC and Natixis Investment Managers S.A. • im.natixis.com • Natixis Advisors, LLC provides discretionary advisory services through its division Natixis Investment Managers Solutions. 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 Advisors, LLC is one of the independent asset managers affiliated with Natixis Investment Managers.

SOL84-1024R
7178178.1.1
Exp. 4/30/25