



Small Cap Growth Fund

Fund Facts

OBJECTIVE

Seeks long-term capital growth from investments in common stocks or other equity securities

Share class	I
Inception	12/31/1996
Ticker	LSSIX
CUSIP	543487854
Benchmark	Russell 2000® Growth Index

Russell 2000® Growth Index measures the performance of the small cap growth segment of the US equity universe. It includes those Russell 2000® companies with higher price-to-value ratios and higher forecasted growth values. The Russell 2000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the small cap growth segment. Indexes are unmanaged and do not incur fees. It is not possible to invest directly in an 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.

Market Conditions

- The 10-year treasury breached the 5% level briefly in late October and then proceeded to drop below 4% over the next two months, sparking a very sharp rally in the equity markets, particularly in small cap stocks.
- As is typical in these extreme markets, high beta and low quality stocks led the way, creating a difficult environment for our products from a relative return perspective. Given our emphasis on high quality and secular growth companies with low share turnover, our fund naturally has a lower beta profile than our benchmark.
- The Fund remained ahead of its benchmark across trailing 3-year, 5-year and 10-year periods through 12/31/2023.

Portfolio Review

- The Small Cap Growth Fund underperformed its benchmark, the Russell 2000 Growth, primarily due to negative security selection across healthcare, financials and industrials sectors.

Class I Performance as of December 31, 2023 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	8.18	11.92	11.92	-1.71	10.01	8.29
BENCHMARK	12.75	18.66	18.66	-3.50	9.22	7.16

Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results. Investment return and value will vary and you may have a gain or loss when shares are sold. Current performance may be lower or higher than quoted. For most recent month-end performance, visit www.loomissayles.com.

Additional share classes may be available for eligible investors. Performance will vary based on the share class. Performance for periods less than one year is cumulative, not annualized. Returns reflect changes in share price and reinvestment of dividends and capital gains, if any. You may not invest directly in an index.

Gross expense ratio 0.93% (Class I). Net expense ratio 0.93%. As of the most recent prospectus, the investment advisor has contractually agreed to waive fees and/or reimburse expenses once the expense cap of the fund has been exceeded. This arrangement is set to expire on 1/31/2025. When an expense cap has not been exceeded, the fund may have similar expense ratios.

The Class I inception date is 12/31/1996. Class I shares are only available to certain institutional investors only; minimum initial investment of \$100,000.



TOP TEN EQUITY HOLDINGS (%)

MACOM Technology Solutions Holdings, Inc.	2.0
Weatherford International plc	1.9
Rambus Inc.	1.9
Casella Waste Systems, Inc.	1.7
Installed Building Products, Inc.	1.6
Varonis Systems, Inc.	1.6
Option Care Health, Inc.	1.6
Texas Roadhouse, Inc.	1.5
Hamiltone Lane Incorporated	1.5
AZEK Company Inc.	1.5
Total	17.0

Contributors

- On an individual stock level, Varonis Systems, Installed Building Products and Inhibrx were the top contributors to performance.
- Varonis Systems outperformed during the quarter primarily due to achieving successful milestones in transitioning from an on-premise software solution to cloud deployed platform. Strong demand trends for software security relating to unstructured data (Large Language Models) also helped to benefit the stock as well.
- Installed Building Products installs residential and commercial insulation in the United States. It is one of the largest companies performing these services and it continues to get bigger through acquiring smaller competitors. The stock performed well as fears of a housing slowdown abated as interest rates peaked and began to come down. With a solid backlog of uncompleted homes still needing insulation, the company managed to have a decent year of growth with a stronger outlook.
- Inhibrx is a biotechnology company focused on protein replacement and oncology. The stock benefitted during the quarter from positive updates on its early stage oncology programs. In addition, a decline in rates during the quarter also drove a revaluation of long-term risk assets, which helped biotech companies more broadly as well.

Detractors

- On an individual stock level, Ventyx Biosciences, Kinsale Capital Group and Flywire were the largest detractors from performance.
- Ventyx Biosciences is a biotechnology company focused on developing drugs for autoimmune driven conditions. The company had two data readouts in the quarter that failed to meet expectations. As a result, the shares underperformed the market and traded down to minimal value for the assets.
- Kinsale Capital Group is a specialty property and casualty (P&C) insurance carrier focused on hard to underwrite risk in the excess and surplus (E&S) markets. The stock underperformed after a disappointing quarterly report where gross written premiums, a proxy for revenue, was slower than the market anticipated.
- Flywire is a payments provider focused on facilitating complex cross border payments in the education sector. The company recently raised capital in a secondary offering. In the most recent quarter, after strong relative performance, results fell short of consensus expectations due to currency fluctuations and a mix shift. The stock’s weak performance triggered our stop loss and was ultimately sold.

Outlook

- The volatility in rates, along with the market’s reaction to them, comes at a sensitive time as the Fed attempts to negotiate a soft landing. At the moment, this seems to be the consensus view by market participants. Inflation has fallen while employment has remained resilient, leading many to believe a monetary easing cycle will begin in March.
- While we certainly are keen to understand these macro factors, we feel that small caps will have the wind at their back in most macro scenarios. The market has begun to broaden after being dominated by the Magnificent 7 for much of 2023, which is healthy.



- Small caps had gotten to a point from a performance, valuation and market cap representation standpoint, that they represented a “dry pile of leaves waiting for a spark.” And while you never know where the spark will come from, it appears to be in the form of confidence in the economic outlook and the Fed’s ability to influence that.
- The initial reactions at pivot points like this tend to be of the sort we saw in Q4. However, as the market continues to broaden out, we would expect the emphasis to be placed on quality companies with the strongest earnings prospects. As this happens, we would expect our process to excel and perform in a way that our track record has shown.
- We thank you for your patience through trying years like this one and remain focused on giving you superior risk adjusted returns that we know our process can deliver.



About Risk

Equity securities are volatile and can decline significantly in response to broad market and economic conditions. **Smaller company** investments can be more volatile than those of larger companies. **Growth stocks** may be more sensitive to market conditions than other equities, as their prices strongly reflect future expectations. **Foreign and emerging market securities** may be subject to greater political, economic, environmental, credit, currency and information risks. Foreign securities may be subject to higher volatility than US securities due to varying degrees of regulation and limited liquidity. These risks are magnified in emerging markets.

Important Disclosure

Outlook as presented in this material reflects subjective judgments and assumptions of the portfolio team and does not necessarily reflect the views of Loomis, Sayles & Company, L.P. There is no assurance that developments will transpire as stated. Opinions expressed will evolve as future events unfold. These perspectives are as of the date indicated and may change based on market and other conditions. Actual results may vary. Please refer to the Fund prospectus for a comprehensive discussion of risks.

This marketing communication is provided for informational purposes only and should not be construed as investment advice. Investment decisions should consider the individual circumstances of the particular investor. Investment recommendations may be inconsistent with these opinions. Information, including that obtained from outside sources, is believed to be correct, but we cannot guarantee its accuracy. This information is subject to change at any time without notice.

Holdings data is based on total gross assets before any fees are paid; any cash held is included. The portfolio is actively managed and holdings are subject to change. References to specific securities or industries should not be considered a recommendation. Holdings may combine more than one security from the same issuer and related depository receipts. Portfolio weight calculations include accrued interest. For current holdings, please visit www.loomissayles.com.

Market conditions are extremely fluid and change frequently.

Diversification does not ensure a profit or guarantee against a loss.

Commodity, interest and derivative trading involves substantial risk of loss.

Any investment that has the possibility for profits also has the possibility of losses, including the loss of principal.

There is no guarantee that the investment objective will be realized or that the Fund will generate positive or excess return.

Past performance is no guarantee of future results.

Before investing, consider the fund's investment objectives, risks, charges, and expenses. Please visit www.loomissayles.com or call 800-633-3330 for a prospectus and a summary prospectus, containing this and other information. Read it carefully.

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