



# Small/Mid Cap Growth Fund

## Fund Facts

### OBJECTIVE

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

Share class	I
Inception	6/30/2015
Ticker	LSMIX
CUSIP	543488779
Benchmark	Russell 2500™ Growth Index

*Russell 2500™ Growth Index measures the performance of the small to mid cap growth segment of the US equity universe. It includes those Russell 2500™ companies with higher growth earning potential as defined by Russell's leading style methodology. The Russell 2500™ Growth Index is constructed to provide a comprehensive and unbiased barometer of the small to mid cap growth market. The Index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small to mid cap opportunity set and that the represented companies continue to reflect growth characteristics. 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/mid 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.

## Portfolio Review

- The Small/Mid Cap Growth Fund underperformed its benchmark, the Russell 2500 Growth, primarily due to negative security selection across healthcare, energy and financials sectors.

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

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
<b>FUND</b>	7.90	6.71	6.71	-2.95	9.71	8.28
<b>BENCHMARK</b>	12.59	18.93	18.93	-2.68	11.43	8.52

*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](http://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 0.91% (Class I). Net expense ratio 0.85%. 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 1/31/2024. When an expense cap has not been exceeded, the fund may have similar expense ratios.*

*The Class I inception date is 6/30/2015. Class I shares are only available to certain institutional investors only; minimum initial investment of \$1,000,000.*



### TOP TEN EQUITY HOLDINGS (%)

Cyberark Software Ltd.	2.2
Tetra Tech, Inc.	1.8
Hamilton Lane Incorporated	1.8
Axon Enterprise, Inc.	1.7
Nova Ltd.	1.7
Natera, Inc.	1.7
AZEK Company Inc.	1.7
CONMED Corporation	1.6
Light & Wonder, Inc.	1.6
Texas Roadhouse, Inc.	1.6
<b>Total</b>	<b>17.2</b>

## Contributors

- On an individual stock level, CyberArk Software, Natera and Axon Enterprises were the top contributors to performance.
- CyberArk Software is a leading provider of identity security software. The company has the top market share in the privileged access management market, and can leverage its leading position to cross sell other products such as identity access management and secret management. Cyber Security is a top priority for Chief Security Information Officers, which we believe should support the company’s durable topline growth even under a tough macro backdrop.
- Natera is a medical diagnostic company focused on prenatal testing and cancer recurrence monitoring. The company outperformed as margins improved faster than anticipated on improved collections & reimbursements from insurers. In addition, the company extended its leadership position in cancer recurrence testing by both seeing faster growth and preventing competitive entrants by enforcing its intellectual property.
- Axon Enterprises is a provider of hardware and software to law enforcement and many other emerging end market. Demand for their products (Tasers, body cams, etc.) has been high and the company has innovated to accelerate this demand, leading to a steady stream of higher estimate revisions.

## Detractors

- On an individual stock level, Ventyx Biosciences, Kinsale Capital Group and ChampionX 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.
- ChampionX is a provider of products and services to the global oil and gas market. A recent slowdown in the North American market, along with some one-off issues, has led to slight negative revisions to estimates.

## 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/mid 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/mid 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. **Investments in small and mid-size companies** 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 depositary receipts. Portfolio weight calculations include accrued interest. For current holdings, please visit [www.loomissayles.com](http://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](http://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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