



Growth Fund



Analyst-Driven %
100%*
Data Coverage %
100%*

Growth Fund earns gold from Morningstar as of 1/9/2023*

Fund Facts

The fund seeks to invest in companies with sustainable competitive advantages, long-term structural growth drivers, attractive cash flow returns on invested capital, and management teams focused on creating long-term value for shareholders. The fund's portfolio manager also aims to invest in companies when they trade at a significant discount to the estimate of intrinsic value.

Strategy AUM ¹	\$89.5 billion
Fund AUM	\$18.4 billion
Share Class	Y
Inception	5/16/1991
Ticker	LSGRX
Benchmark	Russell 1000® Growth Index
CUSIP	543487110
Portfolio Manager	Aziz Hamzaogullari
Manager Since	June 2010

¹Strategy assets are comprised of Loomis Sayles Large Cap Growth style accounts.

Top Ten Holdings (%)

NVIDIA Corporation	10.8
Tesla, Inc.	8.2
Meta Platforms, Inc.	7.7
Oracle Corporation	7.0
Alphabet Inc.	6.6
Netflix, Inc.	6.5
Amazon.com, Inc.	4.9
Microsoft Corporation	4.7
Boeing Company	4.6
Visa Inc.	4.5
Total	65.5

Russell 1000® Growth Index measures the performance of the large cap growth segment of the US equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the large 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.

Portfolio Review

- The fund posted positive returns of 6.64% vs. 10.51% for the Russell 1000® Growth Index, underperforming the benchmark by 3.87% net during the quarter. Tesla, Alphabet, and Nvidia were the three largest contributors to performance during the quarter. Netflix, FactSet, and Salesforce were the three lowest contributors to performance.
- Stock selection in the consumer discretionary and consumer staples sectors, as well as our allocation to the communication services sector, contributed positively to relative performance. Stock selection in the communication services, healthcare, financials, industrials, and information technology sectors, as well as our allocations to the information technology, healthcare, financials, industrials, and natixis loomis sayles focused growth etf sectors, detracted from relative performance.
- The fund is managed with a highly selective, long-term private equity approach to investing. Through our proprietary bottom-up research framework, we look to invest in those few high-quality businesses with sustainable competitive advantages and profitable growth when they trade at a significant discount to intrinsic value (our estimate of the true worth of a business, which we define as the present value of all expected future net cash flows to the company).

Class Y Performance as of September 30, 2025 (%)

	CUMULATIVE TOTAL RETURN		ANNUALIZED TOTAL RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	6.64	14.65	25.40	35.31	16.81	17.98
BENCHMARK	10.51	17.24	25.53	31.61	17.58	18.83
EXCESS RETURN	-3.87	-2.59	-0.13	+3.70	-0.77	-0.85

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Please see the last page for additional important information on the Morningstar Medalist Rating™.

Performance data shown represents past performance and is no guarantee 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.

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.

Additional share classes may be available for eligible investors. Performance will vary based on the share class.

Gross expense ratio 0.67% (Class Y). Net expense ratio 0.66%. 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 1/31/2026. When an expense cap has not been exceeded, the fund may have similar expense ratios.

The Class Y inception date is 5/16/1991. Institutional Class shares (Class Y) are available to eligible investors with a minimum initial investment of \$100,000 and without a sales charge.



New Purchase Highlights

There were no new purchases during the period.

Portfolio Activity

- All aspects of our quality-growth-valuation investment thesis must be present for us to make an investment. Often our research is completed well in advance of the opportunity to invest. We are patient investors and maintain coverage of high-quality businesses in order to take advantage of meaningful price dislocations if and when they occur. During the quarter, we added to our existing positions in Novo Nordisk and Vertex as near-term price weaknesses created attractive reward-to-risk opportunities. We trimmed our position in Alibaba to finance the purchases.

Contributors

Tesla, Alphabet, and Nvidia were the three largest contributors to fund performance.

- Founded in 2003, **Tesla** is a global leader in the design, manufacturing, and sales of high-performance fully electric (battery) vehicles (EVs). The company's automotive unit sells its products directly to customers through its website and retail locations and continues to grow its customer-facing infrastructure through a global network of vehicle service centers, mobile service technicians, body shops, Supercharger stations, and Destination Chargers to accelerate widespread adoption of its products. Tesla also designs, manufactures, sells, and installs solar energy generation and energy storage products to residential, commercial, and industrial clients through its energy generation and storage unit. The company generated approximately 90% of its sales from its automotive segment and 10% from its energy generation and storage segment in its 2024 fiscal year. From a geographic standpoint, the US and China are the company's two largest markets and accounted for approximately 49% and 21% of 2024 sales, respectively, while the rest of the world collectively accounts for approximately 30%.

Tesla has been a fund holding since the first quarter of 2022. During the quarter, the company put forth a new compensation plan for CEO Elon Musk that will be voted on at the company's upcoming annual shareholder meeting in November. Following the proposed compensation package, shares may have responded positively to news that Musk had purchased \$1 billion worth of company shares, which represents his first meaningful purchase since 2018. While representing a small percentage of his total net worth, we believe the investment reflects positively on his continued belief in the company's prospects.

Regarding the proposed compensation package the CEO Performance Award covers the next 10 years and follows a methodology similar to prior plans in 2012 and 2018 that set very ambitious targets for which Musk will be highly compensated if achieved. Under the current proposal Musk can earn up to 12 tranches of restricted stock for the achievement of a combination of market capitalization-related and operational milestones. Each tranche would represent 1% of the company's outstanding share count and would vest 7.5 years to 10 years after the initial date the compensation plan is approved by shareholders. After the 10 year anniversary, any stock not earned will be forfeited. Earning the first tranche would require Tesla achieving a market capitalization of \$2 trillion, which was approximately 2x the company's value prior to the proposal, as well as the achievement of at least one operational milestone. Operational milestones, which can only be used once in the achievement of a tranche, are closely aligned with corporate goals and include total vehicle deliveries, active full-self-driving (FSD) subscriptions, robotaxis, humanoid robots, and the achievement of various EBITDA (earnings before interest, taxes, depreciation, and amortization) levels. Only if Tesla is able to achieve a market capitalization of \$ 8.5 trillion, which would be approximately eight times the company's value prior to the proposal and twice the market cap of Nvidia, currently the most valuable company in the world, generate \$400 billion in EBITDA, which at the time of the proposal would be equivalent to the trailing 12-month EBITDA of Microsoft, Apple and Nvidia, combined, and developed a CEO succession plan can Musk earn all 12 tranches. We believe compensation plans should include long-term fundamental and company valuation targets that align CEOs and management with long-term shareholders. We believe the prior plan and current proposal both achieve that objective.

After a record year for deliveries in 2023, deliveries declined in 2024, representing the first fiscal year in which deliveries declined year over year. Declines extended into the first half of 2025, which represented the company's weakest results in three years. We believe this



near-term weakness does not reflect on Tesla's long-term prospects, nor does it change our expectation for long-term secular growth in EV penetration around the world. Given that affordability in the auto industry is being impacted by multi-decade-high interest rates and lingering materials and logistics cost inflation, we believe Tesla has been prudently managing the business, which included the company's Model Y becoming the highest selling vehicle on a global basis in 2023 and 2024. More recently, CEO Elon Musk's involvement in US and global politics is thought to have brought negative attention to the brand, which was believed to be one of the primary drivers for share price weakness earlier in 2025. While we believe this could be impacting some sales, we believe the greater impact to current sales is the introduction of the new model Y, which is Tesla's most popular vehicle, representing close to 70% of the company's units sold. To accommodate the necessary updates for the new model, the company shut down all factories to retool production during the first quarter. Even with the lower availability of the Y, it nonetheless remained the highest selling vehicle on a global basis in the first quarter. Further, in California, the company's model 3 was the best-selling car in the past two quarters after having recently trailed the Honda Civic and Toyota Camry, while the Model Y was the best-selling SUV. Despite the recent sales decline, we believe the concurrent pullback in EV investments by many traditional auto manufacturers will enable Tesla to extend its product and technology advantages, driving even further differentiation as consumers consider the full suite of Tesla products, including new models anticipated in 2025. There is no change to our long-term structural investment thesis for Tesla, which continues to trade at a significant discount to our estimate of intrinsic value.

For the quarter, Tesla reported financial results that reflected weak deliveries and revenue that declined year over year, both of which we attribute primarily to issues with the introduction of the new model Y, but both improved versus the previous quarter. The company also noted that the pending elimination of US tax credits for EV purchases was likely to impact sales later this year and into the first half of 2026. Quarterly revenue of \$22.5 billion declined 12% year over year, but rose 16% from the prior quarter. Despite working to lower the price of its vehicles to increase affordability, higher interest rates have impacted the core mass market customer Tesla ultimately seeks to win over. Tesla has a pricing strategy where they price their vehicles to maximize overall profit dollars. Historically the company had reduced price annually as it leveraged its growing scale to lower the total cost of ownership for potential buyers and drive EV adoption. The company is focused on penetrating mass-market buyers, where pricing sensitivity is a greater factor, and rising rates effectively increased the price of Tesla's cars by 10% over the past few years. The company also confirmed that it began initial production on a more affordable model, with production at volume expected in the second half of 2025. We estimate Tesla's existing models currently address a potential market of approximately 20 million cars sold annually. We believe a lower-priced car could increase the company's addressable market to 50 million units. We believe this is the correct strategy as long as Tesla continues to protect its brand equity, which is one of the company's most important intangible assets. Given that Tesla manufacturing factories have high fixed costs that benefit from scale, increasing EV sales from current levels would improve production utilization and generate higher profit per vehicle. Over time, we believe that increased volumes will offset near-term margin pressure. Further, unlike traditional auto manufacturers, Tesla has the ability to sell software to car owners after the initial sale, providing incentive to grow an installed base that can later be monetized through software sales. The company is making strong progress on its industry-leading software which benefits from its data leadership in autonomous driving. The company continues to gather data from a fleet now averaging over 500 million miles of FSD driving per quarter. The company is also ramping up customer education by demonstrating the technology at every new vehicle pick up, which it will extend to every service appointment as well. In addition to the US, FSD is available in Canada, China, Mexico, Puerto Rico, Australia, and New Zealand. The company is awaiting a decision in Europe.

Despite making continued progress in lowering its cost per car, operating margins of 4.1% declined by approximately 220 basis points during the period, due primarily to lower deliveries and increased research and development expenses to support future product launches. However, the Cybertruck has achieved positive gross margins within the first year after its launch, while competitors such as Rivian still generate gross losses. We believe this underscores the company's cost leadership, scale advantages, and the maturity of its manufacturing operations. We believe these recent margin impacts are temporary and that over the long term, Tesla can generate operating margins in the mid-20% range, supported in part by an increasing mix of FSD sales. After posting negative free cash flow in the first



quarter of 2024, free cash flow was positive for the fifth quarter in a row, and we believe it will remain positive as profits and capital expenditure efficiencies improve. Despite an automotive industry slowdown, we believe that Tesla is a structural share gainer in the overall auto industry and will continue to gain share and grow faster than the industry as a whole.

We believe the secular growth driver for Tesla is increasing penetration of electric vehicles as a share of global automotive sales. Around the world, EVs accounted for a low-double-digit percentage of new light vehicle sales in 2024, with penetration rates ranging from high-single digits in North America to low double-digits in Western Europe and almost 30% in China. We believe the pace of EV adoption will accelerate, driven by advances in battery technology that will drive cost parity, lower ongoing cost of ownership for consumers, government incentives, and numerous global initiatives to phase out internal combustion engine sales over the next two decades. Tesla is a global leader in battery EV sales. The company recently had low-teens unit share, which is down from high teens in 2024 as a result of the refresh of the Model Y at the start of the year, while the company maintains around 25% revenue share, and a much higher share of industry profitability. While we expect competition to increase substantially, we believe Tesla's brand, focus, technology leadership, and strong ongoing consumer demand will enable the company to maintain a leading global market position.

In late 2024, the company debuted FSD version 13 that was used to power the cybercab and the unmanned Model 3 and Model Y as the company announced its robotaxi strategy. FSD 13, which represents the first version of FSD software based solely on AI training on the company's super computers, delivered a step change improvement in autonomous driving capabilities. The company is expected to release FSD 14, which we believe will further extend FSD capabilities as the company makes progress toward unsupervised FSD. We believe most consumers will ultimately adopt FSD functionality over the long term. Tesla's software offerings carry profit margins that are significantly greater than the current company average and we believe they will drive strong profit growth. Over time, we believe uptake of high-margin software capabilities, which we believe can increase from a negligible percentage of profits today to approximately 25%, will contribute to expanding the company's operating margins. We believe the assumptions embedded in Tesla's share price underestimate the company's significant long-term growth opportunities and the sustainability of its global market share. We believe the company's shares currently sell at a significant discount to our estimate of intrinsic value and thereby offer a compelling reward-to-risk opportunity.

- **Alphabet** is a holding company that owns a collection of businesses, the largest and most important of which by far is Google. Google is the global leader in online search and advertising and also offers cloud solutions to businesses and consumers globally, with a goal of organizing the world's information and making it universally accessible and useful. Google dominates the US and global traditional search market with a greater than 80% share of search volumes. As a function of seeing more searches, Google is able to provide better search results, resulting in a higher customer conversion rate for advertisers and enabling Google to capture a leading share of search revenue. Google's large network of consumers, advertisers, and publishers is a powerful business ecosystem as third-party participants such as marketing affiliates and independent software vendors add value to the user experience. As a result, we believe consumers get their best and most relevant search results and advertisers get the best returns on their advertising dollars. Such a robust ecosystem attracts increasing numbers of participants and thereby creates a virtuous cycle for a sustainable business model and long-term growth. In its emerging cloud business, we estimate that Google captures less than 10% market share of the global market for public cloud services. We believe Google remains one of the few global companies that has the scale, research and development (R&D), and technical talent to effectively compete in this market over the long term. Non-Google businesses comprise less than 1% of Alphabet revenues and are held in the company's Other Bets segment.

A long-term fund holding, shares responded positively following disclosure of prospective remedies in an ongoing lawsuit with the U.S. Department of Justice (DOJ) that were better than feared. In August 2024, in a case originally filed in 2020 by the DOJ and multiple U.S. states, a U.S. District Court ruled that Google had acted illegally to maintain a monopoly in online search by paying companies such as Apple to present its search engine as the default choice on their devices and web browsers. During the quarter, the judge provided potential remedies which neither required any business divestitures by Alphabet,



nor called for an outright ban on payments. The company has said it may potentially still appeal both the verdict as well as the proposed remedies, but the remedies were less punitive than feared. We expect this process will likely still take over a year before it is ultimately settled and any changes are implemented. And while we do not know what the final outcome will be, based on its ongoing innovation and substantial competitive advantages, we do not believe the company's competitive positioning will ultimately be diminished, and we believe the company continues to represent an attractive reward-to-risk opportunity.

Alphabet has been a holding in our strategy since inception in July 2006. Different authorities in different jurisdictions have investigated Alphabet over the course of our holding period – sometimes finding it guilty of violating anti-trust laws and sometimes finding it had not violated any statutes. For instance, in 2011, a U.S. Federal Trade Commission (FTC) anti-trust investigation focused on Google's ability to leverage its strong position in search to enhance its own competitive advantage. The investigation lasted two years and the FTC elected not to pursue any lawsuits, levy any fines, nor require any changes in business practices. More recently, the European Commission (EC) found Google guilty of violating its anti-trust laws around its practices with Google Shopping, the licensing of Android to device manufacturers, and for placing restrictive clauses in contracts with third-party websites which prevented ads from Google competitors. The company incurred fines of approximately \$10 billion and in each instance was required to modify its businesses practices. We observed no material change in the company's competitive positioning as a result of these changes.

We believe Google's dominance in the online search and advertising market is a function of its superior product offerings and strong and sustainable competitive advantages – not the product of anti-competitive business practices. In Europe, where Google was required to provide users with a choice of browsers on its Android devices, the company maintains over 90% market share – suggesting the company's dominance is a function of consumer preference and not its default positioning. Even on desktop devices pre-installed with Microsoft's edge browser, the company captures approximately 80% of global search activity.

As we did with earlier legal and regulatory challenges against the company, we will continue to monitor and assess any potential structural impact on our investment thesis for Alphabet and on the company's market share or growth. However, we believe Alphabet remains well positioned to benefit from the secular shift of the approximately \$2 trillion in global annual advertising and marketing expenditures outside of China to online and mobile advertising from traditional advertising media.

For the quarter, Alphabet reported financial results that were fundamentally strong and above consensus expectations for revenue, operating income, and earnings per share. The company also announced that it expects to spend \$85 billion on capex in 2025, up 13% from its prior estimate and reflective of the opportunities it sees to leverage AI across all of its businesses. Total revenue of \$96 billion represented a 14% increase year over year in constant currency, while reported earnings per share rose 22%. Alphabet reports results in three segments: Google Services, Google Cloud, and Other Bets. Google Services reported quarterly revenue of \$83 billion, which increased 12% year over year and represented approximately 86% of total revenue. Advertising revenue accounted for 86% of Google Services revenue and increased by 10% compared with the year-ago quarter. Advertising revenue was driven by the search business, which grew 12% year over year. The company is benefiting from its recent rollout of AI overviews, which are now available in 40 languages and 200 countries and currently have over 2 billion monthly average users. Google also recently launched AI Mode, the company's native AI-search powered by its Gemini models, into 180 countries and expanded into over 35 languages. Outside of search, the company reported 12% growth in YouTube, which benefited from improvement in direct response ads and brand advertising, while the network advertising businesses continued to show weakness, declining 1% year over year. Non-advertising revenue, which includes Google Play, hardware, and YouTube non-advertising revenues such as subscriptions, represented 14% of Google Services revenues and increased 20% year over year. The company experienced strong growth in YouTube subscriptions, as well as Google One, which offers subscription-based access to enhanced storage and AI functionality.

Google Cloud reported quarterly revenue of \$14 billion on growth that accelerated 400 basis points to 32% year over year and represented 14% of total revenue. Google's cloud business includes Google Cloud Platform (GCP), the company's infrastructure- and platform-as-a-service offerings, and G Suite, which includes the company's software-as-



a-service offerings such as Gmail, Docs, Drive, and Calendar. The segment generated an operating profit of \$2.8 billion on EBIT (earnings before interest and taxes) margins of almost 21%, which improved from 11% in the prior-year quarter. Alphabet's Other Bets segment reported revenue of \$373 million that rose 2% year over year and represented less than 1% of total revenues. Many of these businesses are still early stage and results are volatile on a quarterly basis. We believe Google's key revenue drivers of mobile search, YouTube, programmatic advertising, and an emerging cloud business that is Google's fastest growing business, each continue to benefit from secular drivers including increased mobility, video advertising, better use of advertising technology to drive performance, and increased penetration of public cloud services.

Alphabet continues to have a high-quality financial profile and strong financial position. Overall operating income rose 14% to \$31 billion, benefiting from lower cost of goods sold and operating leverage, and the company reported solid adjusted operating margins of 32% that were flat year over year. Google's attractive financial model continues to generate strong free cash flow and earns high returns on invested capital, enabling it to reinvest significantly in its business. In the quarter, free cash flow of \$5.3 billion declined 61% year over year and represented 5% of gross revenue. Free cash flow was impacted by elevated capital expenditures, which rose 70% year over year to \$22.4 billion, reflecting the substantial opportunities the company has identified to leverage AI functionality across all of its businesses.

We believe market expectations underestimate Alphabet's long-term sustainable growth rate. As a result, we believe the company is selling at a significant discount to our estimate of intrinsic value and offers a compelling reward-to-risk opportunity.

- **Nvidia Corporation** is the world leader in artificial intelligence (AI) computing, which enables computers to mimic human-like intelligence for problem solving and decision-making capabilities. Founded in 1993 to develop faster and more-realistic graphics for PC-based video games, Nvidia created the first graphics processing unit (GPU), a dedicated semiconductor that employs a proprietary parallel processing architecture to perform superior graphics rendering outside of a computer's standard central processing unit (CPU). The parallel processing capability of Nvidia's GPUs, which contrasts with the linear processing requirement of CPUs, can accelerate computing functions performed by standard CPUs by greater than ten times. As a result, Nvidia extended its visual computing expertise beyond its legacy gaming market into innovative new and larger markets, including data centers, autos, and professional visualization. The parallel processing capability facilitates pattern recognition and machine learning functions that have enabled Nvidia to be at the forefront of growth in artificial intelligence applications. As a result, the data center business, which first surpassed the gaming business to become Nvidia's largest revenue and profit generator in its 2023 fiscal year, grew to represent over 88% of revenue in the company's most recent fiscal year. The company is also focused on building out its GPU-computing-based ecosystem and is helping to enable breakthroughs in autonomous driving, and virtual reality.

A fund holding since the first quarter of 2019, Nvidia reported quarterly financial results that were strong and reflected the company's dominance in capturing spending on AI computing within data centers. For the quarter, total revenue of \$46.7 billion grew 56% year over year, despite selling no H20 chips to China-based customers in the quarter due to recent U.S. Government restrictions. While the government has reopened the sales of Nvidia's H20 chips to China-based customers, these customers will have to also apply for a license to get approval to purchase these chips. In return for reopening the China market, the Trump administration proposed that the Government receive 15% of the company's H20 sales in China, which has not yet been formally codified. While we view this as both unconventional and suboptimal for Nvidia, we believe it is important that the company remain able to compete effectively in the world's second largest AI market, which is currently estimated to represent a \$50 billion addressable market that is growing rapidly. Nvidia is also working with the government to have the ability to sell its latest-generation Blackwell chips to China-based customer.

During the quarter, Nvidia also announced strategic partnerships with both Intel and OpenAI that will enhance and expand the company's ecosystem. Following a year of discussion, Nvidia and Intel announced a partnership to design and offer AI CPU products. Nvidia will invest \$5 billion in Intel common stock. We believe the partnership will enable Nvidia to further penetrate both the data center and PC markets by offering integrated



CPU and GPU solutions, in particular with enterprise segment clients where much of the legacy software is written for Intel's x86 architecture. The company also announced it was entering a partnership with OpenAI to build and deploy at least 10 gigawatts (GW) of AI data centers that would employ millions of Nvidia's GPUs. Nvidia will invest \$10 billion in OpenAI after the deployment of each 1 GW data center, with the first GW targeted for the second half of 2026. As data centers can each take 12 to 24 months to build, we anticipate realization of the full potential \$100 billion partnership could take multiple years.

Record data center revenues of \$41.1 billion rose 56% year over year and represented 88% of quarterly revenues. The company dominated data center spending on AI computing, with quarterly data center revenue that was again approximately four-times that of competitors Intel and AMD, combined. Enterprise, consumer internet companies, and regional cloud hosting providers represented half of data center revenue in the quarter, while hyperscale cloud service providers that are building out their infrastructure of accelerated servers to monetize strong demand for GPUs by companies looking to leverage AI capabilities and drive competitive differentiation represented the balance. Having eased prior supply constraints, Blackwell accounted for over 70% of data center revenue in the quarter, which represents the fastest product launch in the company's history. We believe the long-term growth drivers for Nvidia are secular in nature. Still, we anticipate there could be a pause in spending following the initial buildout period as hyperscalers and others digest their substantial new purchases of GPUs. We believe such cyclical pauses are characteristic of even the best growth companies historically. In the current period, however, many of these hyperscalers have already announced increased capex plans with a greater share going to AI architecture that should continue to benefit Nvidia in its 2026 fiscal year and beyond.

We believe Nvidia's decades of focused investment, cumulative know-how, and robust software platform and architecture that has attracted millions of developers, position the company to benefit from several secular long-term growth drivers, including accelerated adoption and continued growth in applications and use cases for artificial intelligence. Over the long-term, we believe virtually all servers will be accelerated, primarily using GPU technology, up from a low-double-digit to mid-teens percentage today.

Gaming revenues of \$4.3 billion rose 49% year over year. We believe the gaming business can sustain secular growth in the mid-to-high teens, driven by both unit sales and pricing increases.

Nvidia maintains a high-quality financial model in which operating margins have expanded significantly over the past two decades and strong cash flow returns on invested capital have consistently exceeded the cost of capital by a significant margin. During the quarter, the company's operating profit rose 51% year over year on adjusted operating margins of 64.5% that declined by 180 basis points over the prior-year period. The decline was due primarily to rapid growth in sales of the company's newest Blackwell chips, for which we expect gross margins to improve as the product continues to scale. Over our long-term investment horizon, we believe double-digit growth in gaming revenues and faster growth in its data center markets will enable Nvidia to sustain total annualized revenue growth of approximately 20%. With low capital intensity and high cash flow returns on invested capital, we believe the company can generate faster growth in free cash flow. We believe Nvidia's free cash flow growth prospects are not currently reflected in its share price. As a result, we believe the company's shares trade at a significant discount to our estimate of intrinsic value and offer a compelling long-term reward-to-risk opportunity.

Detractors

Netflix, FactSet, and Salesforce were the three lowest contributors to performance.

- Founded in 1997, **Netflix** is one of the world's leading internet entertainment platforms and a pioneer of subscription video on demand (SVOD), which it first launched in 2007. Today the company is a global leader with over 300 million paid subscribers, out of what we estimate is a total addressable market of one billion households outside of China, who access TV series, movies, mobile games, and other entertainment content across a wide variety of genres, languages, and devices. The company has subscribers in over 190 countries, with an estimated global audience in excess of 700 million, and generates almost 60% of its revenue from outside of North America.



We believe Netflix's strong and sustainable competitive advantages include its focus, scale, brand, and a large installed base of clients that are protected by high barriers to entry. As a pioneer in SVOD, Netflix has amassed a subscriber base that we estimate to represent just under 40% of all SVOD subscribers globally and approximately 50% of the industry revenue share of the leading global providers. The company's strong brand is reflected in both its premium pricing versus peers and mid-single-digit growth in average revenue per user over the past five years. Over the past decade, Netflix has invested over \$120 billion in content and amassed an estimated over 14,000 hours of original content, which is estimated to represent just under two times the next five largest streaming competitors combined. Of course, it is not just the quantity, but quality of the content that matters. Over this same period, Netflix received over 1000 Emmy nominations and had 246 wins. The company has captured the first or second spot in total Emmy Awards in nine out of the last ten years, which we believe reflects the quality of its content. We believe the ability to create and acquire high quality content, based on cumulative knowledge and insights attained from its large installed base of subscribers, contributes to very high barriers to entry.

A fund holding since the first quarter of 2022, Netflix reported quarterly financial results that were strong and above consensus expectations for revenue, operating margins, free cash flow, and earnings per share. The company also increased guidance for full-year revenue and operating profit that was above consensus expectations. Shares nonetheless declined following the report due to elevated near-term expectations. Quarterly revenue of \$11.1 billion rose 17% in constant currency, driven by higher subscription and ad revenue, both of which benefited from membership growth, and pricing gains. The company recently increased prices in the US, UK, France, and Argentina. The company also completed the rollout of an internal ad tech platform and transitioned off a partner platform in all of its ad markets. The new platform is expected to contribute to better measurement and targeting, as well as enabling new ad formats and expanded programmatic capabilities, and the company is targeting a doubling of advertising revenue in 2025. The company believes that both paid sharing and its ad-supported pricing plan, which was initially rolled out in 12 markets in November 2022, will further broaden its addressable subscriber base and has contributed to accelerating revenue growth and greater monetization per user. The company previously commented that the paid-sharing initiative was resulting in better-than-expected retention and conversion of borrowing households into full-paying members.

We believe Netflix has an attractive and improving financial model. Operating income of \$3.8 billion rose 45% year over year on margins of 34% that expanded by 700 basis points over the prior-year quarter. Free cash flow of \$2.3 billion rose 87% from the prior-year quarter and represented 20% of total revenue. The company's balance sheet continues to improve, with long-term debt to equity of 66% declining from over 200% in 2019.

We believe SVOD will continue to benefit from a secular shift from linear television to streaming entertainment due to growing global penetration of broadband internet connections, the proliferation of internet-connected devices, and consumers' desire for on-demand personalized entertainment at prices that are generally significantly below paid TV. As a leading provider of SVOD, we believe Netflix will take its share of global consumer entertainment spending from about 3% today to over 5% over our long-term investment horizon, contributing to low-double-digit growth in revenue. We expect substantial recent investments in content will moderate, and we believe the company will benefit from higher gross margins as its content library is leveraged over a growing global subscriber base. We recently increased our longer-term projected operating margins for Netflix, driven by our expectation of greater scale benefits, and we now expect Netflix to generate longer-term operating margins in the mid-to-high-30% range, up from approximately 30%, previously. As a result, we expect both operating profits and free cash flow will grow faster than revenues, in the mid teens. We believe current market expectations substantially underestimate the strength of Netflix's business model and its ability to generate sustainable growth in free cash flow over our long-term investment horizon. As a result, we believe the shares trade at a significant discount to our estimate of intrinsic value and offer a compelling reward-to-risk opportunity.

- Founded in 1978, **FactSet** is a leading provider of market data, research, and analytics to investment professionals globally. With its narrow focus and feedback from approximately 9,000 clients, the company has a unique ability to design differentiated products best suited to meet the needs of investment professionals. Combined with a client-centric business model aimed at improving the efficiency of client workflows and providing high levels of consulting, FactSet is finding opportunities to cross-sell and up-sell to its existing



clients and continues to capture market share. Because the company's products are often embedded in the workflows of its clients, switching costs are high and we estimate that client retention based on revenue has exceeded 95% annually for over two decades.

A long-term fund holding, FactSet reported solid quarterly financial results that were above expectations for revenue and annual subscription value (ASV) but lower than expected for operating profitability and earnings per share. Shares may have responded negatively to guidance for the company's 2026 fiscal year, in which mid-single-digit revenue growth was slightly below consensus, while anticipated profitability was also lower than expected due to planned investments by the company. There are no changes to our view of FactSet as a high-quality, secular-growth business.

Revenue of \$597 million grew 6% year over year and was 1% above consensus expectations. From a geographic standpoint, Americas revenue comprised 65% of total revenues and grew 5% year over year. Europe accounted for 25% of revenue and grew 2%, while Asia-Pacific accounted for 10% of revenue and grew 6%. Growth in ASV, which measures 12-month forward-looking revenue from all clients generating greater than \$10,000 in revenue, accelerated to 6% quarter over quarter, and totaled \$2.4 billion. Despite industry headwinds that have resulted in delayed purchasing decisions, the company reported that client retention remained in excess of 95% on an ASV basis, and 91% based on the number of clients retained. Buy-side clients represented 82% of ASV and grew 5.5% year over year, while sell-side clients represented 18% and grew 4%. The company's total client count rose 9% year over year while user count grew 10%.

FactSet reported adjusted EBIT (earnings before interest and taxes) margins of 34% that declined approximately 200 basis points over the prior-year quarter. Margins were pressured by increased technology-related expenses, including higher internal-use software amortization and higher cloud and software spending – predominantly reflecting greater usage of generative AI. The company generated \$178 million of free cash flow during the quarter, which increased 30% year over year and represented 30% of revenue. FactSet continues to return excess capital to shareholders through both share repurchases and dividends. The company repurchased \$107 million of stock during the quarter, and returned a total of \$460 million via share repurchases and dividends over the past 12 months.

Management continues to reinvest in the business to broaden its product portfolio and expand its utility to clients. With its focus on innovation and a high level of customer service, the company is finding opportunities to cross-sell and up-sell to existing clients. As a result, we believe FactSet is well positioned to garner a much higher percentage of its customers' spending, especially given that a good portion of that spending is still on in-house solutions that sometimes may be less effective and efficient than a FactSet solution. We believe FactSet remains a high-quality company that can grow free cash flow in the high single digits over our investment horizon. We believe the company's shares currently trade at a discount to our estimate of intrinsic value and offer an attractive reward-to-risk opportunity.

- **Salesforce.com** is the leading provider of cloud-based enterprise software, services, and applications focused on customer relationship management (CRM) for companies of all sizes and industries. The company offers individual cloud applications in multiple CRM market segments but is focused on its Customer 360 platform that unites sales, service, marketing, commerce, and other functions to provide a comprehensive customer view, enable companies to create and share custom applications and analytics, and automate all aspects of customer relationships. Salesforce sells its products globally, primarily through a direct sales force and indirectly through consulting firms, system integrators, and other partners.

A fund holding since the first quarter of 2020, Salesforce reported solid quarterly financial results with most key metrics, including revenue, current remaining performance obligations bookings ("CRPO" a forward-looking measure of revenue), operating margins, and earnings per share above consensus estimates. The company also highlighted continued momentum for its newer Agentforce and Data Cloud businesses, which generated \$1.2 billion in annualized recurring revenue and rose 120% year over year. While CRPO grew 10% in constant currency - reflective of a stable-to-improving business outlook, investors may have been disappointed that the company didn't raise its full-year outlook for revenue. There is no change to our view of Salesforce as a high-quality company with multiple long-term secular growth drivers. We believe Salesforce's strong and sustainable competitive



advantages, which include its brand, comprehensive CRM solutions, large installed base of clients with high switching costs, and scale, will enable it to benefit from secular growth in adoption of its cloud-based applications and to grow faster than the industry as a whole.

For the quarter, revenue of \$10 billion increased 9% year over year in constant currency, while CRPO rose 10% to \$29.4 billion. Subscription revenue for the company's core CRM cloud software services accounted for 95% of total revenue and rose 11% versus the prior-year quarter in reported terms. Outside of its subscription products, professional services revenue accounted for 5% of total revenues and declined 3% versus the prior-year period. From a geographic standpoint, the Americas accounted for 66% of revenue and grew 9% year over year in constant currency. Europe accounted for 24% of revenue and grew 7%, while Asia-Pacific accounted for 11% of revenue and grew 11% in constant currency. We estimate that revenue attrition was consistent with the last several quarters at around 7%-8%.

Salesforce has an attractive financial model that we believe will continue to improve over our long-term investment horizon. Adjusted operating income of \$3.5 billion rose 12% year over year on margins of 34% that expanded by approximately 60 basis points year over year. Free cash flow of \$0.6 billion declined 20% year over year and represented 6% of revenues during the period. However, the company anticipates full year free cash flow growth of approximately 13%, above its prior guidance for approximately 10% growth. The balance sheet remains strong, with approximately 18% long-term debt to equity or -6% net debt to equity after accounting for cash and short-term investments. The company also repurchased \$2.2 billion of shares during the quarter and paid approximately \$400 million in dividends. We believe Salesforce's share price continues to embed expectations for key revenue and cash flow growth drivers that are well below our long-term assumptions. As a result, we believe the company is selling at a significant discount to our estimate of its intrinsic value and offers a compelling reward-to-risk opportunity.

Outlook

- Our investment process is characterized by bottom-up, fundamental research and a long-term investment time horizon. The nature of the process has led to a lower-turnover portfolio in which sector positioning is the result of stock selection.
- At quarter end, we were overweight in the communication services, healthcare, consumer discretionary, financials, industrials, and consumer staples sectors. We were underweight in the information technology sector. We held no positions in the real estate, materials, utilities, or energy sectors.
- We remain committed to our long-term investment approach to invest in those few high-quality businesses with sustainable competitive advantages and profitable growth when they trade at a significant discount to intrinsic value. Though we have no stated portfolio turnover target, as a result of our long-term investment horizon, our estimated annualized portfolio turnover since manager transition of the fund is approximately 8.3%. The overall portfolio discount to intrinsic value was approximately 48.3% as of September 30, 2025.

About Risk

Equity securities are volatile and can decline significantly in response to broad market and economic conditions. **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. **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. **Currency** exchange rates between the US dollar and foreign currencies may cause the value of the fund's investments to decline.



Important Disclosure

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.

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.

The Morningstar Medalist Rating™ is the summary expression of Morningstar's forward-looking analysis of investment strategies as offered through specific vehicles using a rating scale of Gold, Silver, Bronze, Neutral, and Negative. The Medalist Ratings indicate which investments Morningstar believes are likely to outperform a relevant index or peer fund group average on a risk-adjusted basis over time. Investment products are evaluated on three key pillars--People, Parent, and Process--which, when coupled with a fee assessment, form the basis for Morningstar's conviction in those products' investment merits and determines the Medalist Rating they've assigned. Pillar ratings take the form of Low, Below Average, Average, Above Average, and High. Pillars may be evaluated by an analyst's qualitative assessment (either directly to a vehicle the analyst covers or indirectly when the pillar ratings of a covered vehicle are mapped to a related uncovered vehicle) or using algorithmic techniques. Vehicles are sorted by their expected performance into rating groups defined by their Morningstar category and their active or passive status. When analysts directly cover a vehicle, they assign the three pillar ratings based on their qualitative assessment, subject to the oversight of the Analyst Rating Committee, and monitor and re-evaluate them at least every 14 months. When the vehicles are covered either indirectly by analysts or by algorithm, the ratings are assigned monthly. For more detailed information about these ratings, including their methodology, please go to global.morningstar.com/managerdisclosures/.

The Morningstar Medalist Ratings are not statements of fact, nor are they credit or risk ratings. The Morningstar Medalist Rating (i) should not be used as the sole basis in evaluating an investment product; (ii) involves unknown risks and uncertainties that may cause expectations not to occur or to differ significantly from what was expected; (iii) are not guaranteed to be based on complete or accurate assumptions or models when determined algorithmically; (iv) involve the risk that the return target will not be met due to such things as unforeseen changes in management, technology, economic development, interest-rate development, operating and/or material costs; competitive pressure, supervisory law, exchange rate, tax rates, exchange rate changes, and/or changes in political and social conditions; and (v) should not be considered an offer or solicitation to buy or sell the investment product. A change in the fundamental factors underlying the Morningstar Medalist Rating can mean that the rating is subsequently no longer accurate.

Before investing, consider the fund's investment objectives, risks, charges, and expenses. Please visit www.loomissayles.com or call 800-225-5478 for a prospectus and a summary prospectus, containing this and other information. Read it carefully.

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