Natixis/Loomis Sayles Large Cap Growth Strategy

QUARTERLY PORTFOLIO COMMENTARY

US equity markets fell during the quarter, as investors continued to digest a hawkish Federal Reserve, higher inflation, weak first quarter US GDP growth, slower growth expectations for China, and the continuation of the Russia-Ukraine war. Strong employment data along with coronavirus vaccine distribution and global economic reopening were insufficient to calm investor's concerns as the Federal Reserve increased interest rates by 0.75% in June 2022 and signaled for additional aggressive interest rate hike expectations this year in an effort to combat high inflation. The annual US inflation rate grew to 8.6% in May 2022, rising to levels not seen in 40 years. United States GDP fell by an annual rate of -1.6% in the first quarter of 2022, down from +6.9% in the fourth quarter of 2021. The US unemployment rate remained steady at 3.6% during March through May 2022. The S&P 500® Index fell -16.1% for the quarter, with all sectors in negative territory. Consumer discretionary (-26.2%), communication services (-20.7%), information technology (-20.2%), and financials (-17.5%) were the most notable negative performing sectors in the index. Consumer staples (-4.6%), utilities (-5.1%), energy (-5.2%), and health care (-5.9%) were also negative but outperformed the overall index on a relative basis. Value and large-cap outpaced growth and small-cap on a relative basis. The Russell 1000® Value Index fell by -12.2% compared to a decrease of -20.9% in the Russell 1000® Growth Index, and the Russell 1000® Index fell by -16.7% compared to a decrease of -17.2% in the Russell 2000® Index.

The Natixis/Loomis Sayles Large Cap Growth Strategy fell in value during the quarter and underperformed the Russell 1000® Growth index gross and net of fees. Relative underperformance was driven by stock selection with investments in information technology performing especially poorly. Security selection in communication services, industrials, and health care further detracted from relative return, offset partially by positive selection in consumer discretionary, consumer staples, and financials. Sector allocation added value to relative performance with an overweight to health care, underweight to consumer discretionary, and modest allocation to cash contributing to relative performance. An overweight to communication services, an underweight to consumer staples, and having no exposure to real estate were the most notable detractors.

Year-to-date, the strategy fell in value and lagged the benchmark gross and net of fees. Relative underperformance was driven by stock selection. Investments in information technology performed especially poorly. Stock selection in industrials and communication services further detracted from relative return, offset partially by investments in health care, consumer discretionary, and financials. Sector allocation was additive. Overweights to health care and industrials, an underweight to consumer discretionary, and a modest allocation to cash were the most notable contributors. An overweight to communication services and underweights to consumer staples and real estate were the most notable detractors.

Higher inflation, rising interest rates, monetary and fiscal policy, slower growth in China, the Russia-Ukraine war, and coronavirus pandemic concerns continue to remain in focus for markets during the next quarter, as investors evaluate the uncertainties of economic growth, global health, and supply disruptions in their growth forecasts. These uncertainties along with second quarter earnings results may continue to drive market volatility. Active rigorous fundamental research and investment discipline may be the winning recipe in the time to come, as global economic and health uncertainties continue.

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