Focused Growth ETF

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.

Fund AUM	$5.9 million
Inception	6/29/2023
Ticker	LSGR
Benchmark	Russell 1000® Growth
CUSIP	63875W406
Portfolio Manager	Aziz Hamzaogullari
Manager Since	Inception

How is this ETF different?

This ETF is different from traditional ETFs – traditional ETFs tell the public what assets they hold each day; this ETF will not. *This may* ***create additional risks.*** *For example, since this ETF provides less information to traders, they* ***may charge you more money*** *to trade this ETF's shares. Also, the price you pay to buy or sell ETF shares on an exchange* ***may not match the value*** *of the ETF's portfolio. These* ***risks may be even greater in bad or uncertain markets.*** *See the ETF prospectus for more information.*

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 14.28%(NAV)[1] vs. 14.16% for the Russell 1000® Growth Index, outperforming the benchmark by 0.12% net during the quarter. Amazon, Microsoft, and Meta Platforms were the three largest contributors to performance during the quarter. Tesla, Illumina, and Oracle were the three lowest contributors to performance.
- Stock selection in the industrials, communication services, and healthcare sectors contributed positively to relative performance. Stock selection in the consumer discretionary, information technology, and consumer staples sectors, as well as our allocation to the information technology, communication services, and consumer discretionary sectors, detracted from relative performance.
- The fund is actively managed with a 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).

Performance as of December 31, 2023 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	Since Inception
ETF (NAV)[1]	14.28	-	-	-	-	12.31
ETF (MARKET PRICE)[2]	14.19	-	-	-	-	12.31
BENCHMARK	14.16	-	-	-	-	12.39
EXCESS RETURN[1]	+0.12	-	-	-	-	-0.08
EXCESS RETURN[2]	+0.03	-	-	-	-	-0.08

[1]Focused Growth ETF Net Asset Value *[2]Focused Growth ETF At-Market Value*

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.im.natixis.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. An exchange-traded fund's market price is the price at which shares in the ETF can be bought or sold on the exchanges during trading hours, while the net asset value (NAV) represents the value of each share's portion of the fund's underlying assets and cash at the end of the trading day. ETFs calculate the NAV at 4 p.m. EST, after the markets close.

Gross expense ratio 3.36%. Net expense ratio 0.59%. The Investment Advisor has given a binding contractual undertaking to the Fund to limit the amount of the Fund's total annual fund operating expenses to 0.59% of the Fund's average daily net assets, exclusive of brokerage expenses, interest expense, taxes, acquired fund fees and expenses, organizational and extraordinary expenses, such as litigation and indemnification expenses. This undertaking is in effect through 4/30/26 and may be terminated before then only with the consent of the Fund's Board of Trustees.

Top Ten Holdings (%)

Holding	%
NVIDIA Corporation	8.8
Amazon.com, Inc.	8.8
Meta Platforms, Inc.	8.8
Microsoft Corporation	8.0
Alphabet Inc.	7.8
Tesla, Inc.	6.4
Boeing Company	4.7
Vertex Pharmaceuticals Incorporated	4.5
Netflix, Inc.	4.3
Visa Inc.	4.3
Total	66.5

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, there was no investment activity.

Contributors

Amazon, Microsoft, and Meta Platforms were the three largest contributors to performance during the quarter.

- Online retailer **Amazon** offers millions of products – sold by Amazon or by third parties – with the value proposition to consumers of selection, price, and convenience. Amazon's enterprise IT business, Amazon Web Services (AWS), offers a suite of secure, on-demand, cloud-computing services, with a value proposition to clients of speed, agility, and savings. In both of its core markets, Amazon possesses strong and sustainable competitive advantages that would be difficult for competitors to replicate. In e-commerce, these include its brand, scale, technology platform, network advantage, and logistics and distribution systems. AWS benefits from its brand, technology platform, and massive scale which allows it to pass along cost savings while continuing to innovate. Growing well in excess of their underlying markets, both of Amazon's businesses are gaining market share. Led by visionary founder and Executive Chairman Jeff Bezos, Amazon invests aggressively to expand and leverage its customer base, brand, and infrastructure, targeting businesses with strong financial returns that are anticipated to offer large and enduring growth opportunities.

  A fund holding since inception, Amazon reported quarterly financial results that were fundamentally solid and included revenue and operating profit that were above management guidance and consensus expectations. For the quarter, net sales of $143 billion increased 13% year over year in constant currency. E-commerce and related revenue, which accounted for approximately 80% of revenue, was driven by 20% growth in third-party services, 25% growth in advertising, 13% growth in retail subscription services such as Prime membership and digital media subscriptions, and 6% growth in the online store. Comprising 16% of total net sales at $23 billion, AWS revenue grew 12% in constant currency compared with the year-ago quarter, but growth decelerated from 27% in the previous quarter. Amazon is the world's largest cloud vendor, almost two times the size of next largest competitor Microsoft, and as large as the next four competitors combined. The slowdown in cloud services revenue reflects businesses continuing to optimize their cloud spending following a period of economic weakness. Amazon is actively working with clients to optimize spending and foster long-term relationships, and the deceleration in growth is also apparent at both Microsoft and Alphabet, which have been growing faster due to their smaller relative scale. The company believes that the optimization is stabilizing and has begun to observe clients bring more workloads to the cloud and once again focus on innovation as opposed to cost reductions. Physical stores accounted for approximately 3% of revenues and rose 6% year over year. We believe Amazon is one of the best-positioned companies in e-commerce and enterprise IT – in each case addressing large, underpenetrated markets that benefit from secular growth that is still in its early stages. In both of its core markets, we believe Amazon possesses strong and sustainable competitive advantages that would be difficult for competitors to replicate. Amazon's sales mix has been shifting over the past few years to higher-margin product categories such as third-party e-commerce sales, AWS, and advertising. Gross margins for the quarter rose approximately 300 basis points year over year to 48%. Overall, Amazon reported adjusted operating income of $17 billion, up 111% compared with the year-ago quarter. Over the

past few years, Amazon has made substantial investments to ensure that its fulfillment and transportation network remained unconstrained during the pandemic. As a result, the company has doubled its fulfillment footprint – which took 25 years to build – and built out a transportation network to support last-mile delivery. Given the company's long-tailed secular growth opportunities, over time we believe it will realize greater productivity and fixed cost leverage from these investments in labor, fulfillment, and distribution. The company showed efficiency gains in the most recent quarter, due in part to its decision to transition away from a national network and towards several smaller regional networks that resulted in faster and less expensive deliveries in the quarter. The company also benefited from a decrease in marketing costs as a percentage of sales which contributed to adjusted operating margins expanding by approximately 550 basis points. AWS operating income rose by 30% to $7 billion, with operating margins of 30% that expanded 600 basis points versus the year-ago quarter. Over the trailing twelve months, the company generated positive free cash flow of $21.4 billion that compared with a free cash outflow of $19.7 billion in the prior-year period.

On a global basis, e-commerce represents approximately 12% of an estimated $22 trillion of global retail sales outside of China, where Amazon does not have a substantial presence. We estimate that Amazon generated approximately $600 billion in gross merchandise volume (GMV) in 2022, which would represent market share of total e-commerce across these markets in the mid-20% range and approximately 3% of total retail sales. We believe a long-term, secular shift from traditional brick-and-mortar retail to e-commerce is still in its early stages and that e-commerce will come to represent a significantly higher portion of the global retail market. We believe Amazon's structural operational advantages, network effect, and relentless focus on customer service position the company to grow faster and more efficiently than its traditional or online retail competitors. We also believe AWS is well positioned in the nascent and underpenetrated cloud-computing services market. We estimate the segment can realize mid-teens compounded annual revenue growth with operating margins improving to the mid-30% range. As a result, we believe the long-term operating profit potential of AWS can approach 50% or more of the company's core retail opportunity. Over our investment time horizon, we believe Amazon can sustain low-double-digit revenue growth and faster growth in operating profits and free cash flow that is not currently reflected in the share price. 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.

- **Microsoft** is the world's largest software company, offering productivity and collaboration tools, cloud services, and personal computing products to businesses and consumers. The company has a massive installed base of over one billion customers for both its Windows operating system and Office software products, which are deeply embedded into enterprise workflows, resulting in significant switching costs and high customer retention. Microsoft's massive scale has enabled it to invest tens of billions of dollars in research and development (R&D) to sustain its competitive position as enterprise work processes and platforms increasingly shift to the cloud.

  A fund holding since inception, Microsoft reported financial results that were strong and above consensus expectations for revenue, operating margins, earnings per share, and free cash flow. The company also provided guidance for the current quarter that was better than consensus expectations for both revenue and operating income. For the quarter, revenue of $56.5 billion grew 13% year over year in constant currency, driven by the company's enterprise software and cloud businesses. Microsoft's Productivity and Business Processes segment encompasses the company's productivity, collaboration, and business process tools, including Microsoft Office, Microsoft Dynamics, and LinkedIn. Segment revenue of $19 billion accounted for 33% of total revenue and rose 13% year over year, driven primarily by Office 365 and Dynamics 365. Office 365 revenue growth of 18% benefited from growth in its installed base, including small and medium businesses and frontline workers,

which contributed to 10% growth in seats and an increase in average revenue per user. The Dynamics enterprise software applications business grew 22%, with its cloud-based software sales up 28% compared with the year-ago quarter. LinkedIn revenue growth of 8% benefited from growth in its talent solutions business, which has over 950 million users globally. The company also reported 3% growth in Office consumer sales for this segment. Office commercial products revenue declined 17% year over year as enterprises continue to transition from legacy, on-premises software to cloud offerings.

The Intelligent Cloud segment includes server products and cloud services such as Microsoft SQL Server, Windows Server, Visual Studio, System Center, and Microsoft Azure, offering businesses public, private, or hybrid cloud-computing platforms. Segment revenue of $24 billion accounted for 43% of total revenue and rose 19% year-over-year. Within the segment, growth was led by Azure, which saw revenue grow 29% year over year, including 3 percentage points of growth arising from new artificial intelligence services, while the on-premises server business rose 2%. The professional services business, which includes support and consulting services, grew 1% year over year during the period.

Microsoft's More Personal Computing segment includes its Windows operating system, which runs on a full spectrum of devices, its devices business, which includes its Surface product line, gaming, which includes Xbox hardware and Xbox content and services, and the company's search business, Bing. Segment revenue of $14 billion accounted for 24% of total revenue and rose 3% year-over-year, ahead of management guidance and consensus expectations. The segment benefited from improved growth in Xbox, search, and Windows. Windows overall revenues increased 5%, while the device business declined 22%. Search advertising revenues grew 10% benefiting from higher search volumes. Gaming revenue rose 9%, driven by Xbox content and services revenues.

Total operating income of $27 billion grew 24% year over year, and EBIT (earnings before interest and taxes) margins of 48% expanded by 470 basis points, benefiting from gross margin expansion as well as operating leverage. Free cash flow rose 22% to $21 billion and represented 37% of revenue – impacted in part by 58% growth in capital expenditures supporting the company's cloud businesses. Microsoft's balance sheet remains strong with cash and investments of $155 billion more than offsetting $42 billion of long-term debt after returning approximately $9.1 billion of capital during the quarter via dividends and stock repurchases.

We believe the long-term secular growth driver for Microsoft is the continued increase in enterprise spending on information technology (IT). We believe Microsoft is well positioned for solid and sustained growth in its core software and services businesses, where we estimate the company generates approximately 80% of its operating profit. In particular, we believe commercial cloud computing is the largest growth opportunity for Microsoft. The company's robust platform, productivity tools, and enterprise software, including Azure, Office 365, and Dynamics 365, have enabled Microsoft to rapidly gain share, and the company has a greater than $120 billion annual commercial cloud revenue run rate, up from less than $25 billion five years ago. As Microsoft continues its transition to a cloud and subscription-based revenue model, we expect it to expand gross margins and realize higher lifetime customer value. Over our long-term investment horizon, we believe Microsoft can generate revenue, operating profit, and free cash flow growth in the low double digits. We believe the assumptions embedded in Microsoft's share price continue to show a lack of appreciation for the company's significant long-term growth opportunities and the sustainability of its business model. As a result, we believe the shares are trading at a significant discount to our estimate of its intrinsic value and offer a compelling reward-to-risk opportunity.

- **Meta Platforms** operates online social networking platforms that allow people to connect, share, and interact with friends and communities. The company's Facebook platform allows

message exchange, photo and video sharing, and common-interest user groups, and Meta's family of apps also includes leading global social and messaging applications Instagram, Messenger, and WhatsApp.

A fund holding since inception, Meta reported strong quarterly financial results that were above expectations for revenue, operating income, earnings per share, and free cash flow. The company also provided guidance for 2024 expenses and capital expenditures that were better than consensus expectations. Over the past two years, Meta's growth has faced headwinds from privacy restrictions implemented by Apple in 2021, a transition to a new product format that lowered monetization as it cannibalized older, higher-monetizing products, and more recently, macro weakness that impacted advertising demand among clients in certain industries. Apple's changes and macroeconomic weakness impact not just Facebook, but the broader mobile advertising ecosystem. As a function of its competitive advantages, we believe the company remains well positioned relative to its peers, and there are no changes to our assessment of Meta's quality or secular growth opportunities.

While the company is focused on driving efficient and profitable growth, Meta also remains in an elevated investment cycle. The company is prioritizing investment spending on artificial intelligence (AI) initiatives, followed by investments in infrastructure, reality labs, product monetization, and regulatory and compliance initiatives. The company is also in the midst of a transition to a new product format – short term video (Reels) – where monetization was initially lower. During our ownership of Meta, Facebook has successfully navigated several product transitions. Each such transition first requires capital expenditures followed by a gradual revenue ramp-up, creating pressures on topline, margins, and earnings. Over time, the required investment decreases and revenues increase. We believe this is a necessary cycle for maintaining sustainable competitive advantages and long-term growth. In the most recent quarter, management estimated that Reels had driven a 40% increase in time spent on Instagram and had reached breakeven from a revenue impact earlier than expected. Finally, the company continues to invest significantly in its early-stage Reality Labs segment, which includes augmented- and virtual-reality (VR) products that the company views as building its long-term vision for the metaverse. While the company incurred year-to-date operating expenses of $11.4 billion in its Reality Labs segment, Meta's core family of apps generated strong operating profits in excess of $41 billion over the same period on operating margins of over 44%. As a result, the investment represented just over 25% of the operating profit generated by the company's highly profitable core business. We believe Mark Zuckerberg has always managed the company with a long-term focus and strong strategic vision. Over the past ten years, Meta has spent over $125 billion on research and development and $110 billion on capital expenditures, including over $100 billion and over $90 billion, respectively, in the last five years. This represents a level of investment that few firms can match and creates high barriers to entry for competitors that are further compounded by Meta's growth of cumulative knowledge over time. The successful development of a metaverse is not an explicit part of our investment thesis for Meta. However, given the potential size of the opportunity, which we estimate could impact over $1 trillion of spending over the long term, and Meta's positioning with billions of users and hundreds of millions of businesses, we believe Meta's current balanced approach to its forward looking investments make sense. We believe Meta continues to have significant advantages arising from its network of over 3 billion daily users of its family of apps, over 200 million businesses that use its platforms and tools every month, and approximately 10 million advertisers who have consistently paid more per user for access to its rare network. We expect that businesses and decision makers in all sectors will continue to allocate an increasing proportion of their advertising spending online, and Meta remains one of very few platforms where advertisers can reach consumers at such scale in such a targeted and effective fashion.

For the quarter, revenue from Meta's family of apps, which is primarily advertising revenue, accounted for 99% of the company's $34 billion in total revenue and accelerated to 23%

year-over-year growth in constant currency. User data, coupled with the scale and frequency of engagement, allows Meta an unprecedented ability to specifically target direct marketing. The ability of advertisers to deliver relevant content, in turn, increases user engagement, and contributes to growth in the overall ecosystem. Year over year the number of Facebook users rose 3% to 3.05 billion global users, with daily active users growing 5% to 2.1 billion. As a result, engagement, as measured by the percentage of daily active users, increased to 68%. Across its family of apps – Facebook, Messenger, WhatsApp, and Instagram – Meta now reaches 3.96 billion consumers monthly, over 3 billion of which, or approximately 79%, are daily users. Users outside of North America account for 2.78 billion or 91% of Facebook's global user base, while the US and Canada accounted for 9%, or 271 million users. As users grow, more advertisers come to the platform. Meta now has over 200 million businesses that use its platforms or tools every month, and the company recently reported the number of advertisers grew to over 10 million, up from over 8 million at the end of 2019 and over 7 million at the end of 2018. Total average revenue per user (ARPU) for the quarter of $11.23 rose 19% year over year. Quarterly ARPU ranged from $56 per user in North America to approximately $4 per user in the ROW category. Since 2012, annual monetization per user has increased globally from $5 per user to approximately $40 in 2022, a compounded annual growth rate of 23%, which we believe is a secular trend that reflects Facebook's strong pricing power and ability to monetize its global user base. The company's reality labs segment, which includes augmented- and virtual-reality consumer hardware, software, and content, accounted for 1% of total revenues, which decreased 26% year over year due primarily to lower sales of its Quest 2 VR headset.

Despite the impact of elevated investment spending, we believe Meta continues to have an attractive financial profile. Quarterly earnings before interest and taxes (EBIT) of $13.7 billion rose 143% year over year on margins of 40% that doubled year over year. The company's family of apps generated $17.5 billion of EBIT on operating margins of 51.5%. Meta continues to invest heavily in new growth drivers, such as Reality Labs, which is the division that focuses on VR and augmented reality hardware and software. Reality Labs revenue increased from around $500 million in 2019 to $2.2 billion in 2022. During the quarter, the reality labs segment generated an operating loss of $3.7 billion, which was in line with both the prior-year period and the previous quarter. Meta's total free cash flow of $13.6 billion rose significantly from $173 million in the prior-year quarter due in part to a 29% decline in capital expenditures to a still elevated $6.8 billion.

We believe Meta remains a high-quality company, benefiting from the secular shift from traditional advertising to online advertising and positioned for strong and sustainable growth over our investment time horizon. We believe Meta benefits from the competitive advantages of its network, scale, strong brands, platform strategy, and a targeting advantage. With 3.96 billion monthly users and over 200 million businesses worldwide using its family of apps, the scale and reach of Meta's network is unrivaled. When excluding China, where Meta is not currently operating, we estimate that Facebook's monthly user base represents approximately 75% of the world's internet population while is Family of Apps unique users exceed 80% of the world's internet population outside of China. We expect that businesses will continue to allocate an increasing proportion of their advertising spending online, and Facebook remains one of very few platforms where advertisers can reach consumers at such scale in such a targeted and effective fashion. We believe Facebook's brand, network, and targeting advantage position the company to take increasing share of the industry's profit pool and grow the company's market share from approximately 6% currently to over 10% of the estimated over $1.8 trillion total global advertising market over our investment time horizon. We also believe that the expectations embedded in Meta's current share price show a lack of appreciation for the company's growth opportunities and the sustainability of its business model. We believe the consensus expectations and current market price reflect assumptions for free cash flow growth that are well below our long-term expectations of strong double-digit cash flow growth. As a result, we believe the shares trade at a significant discount to our estimate of intrinsic value, creating a compelling reward-to-risk opportunity.

Detractors

Tesla, Illumina, and Oracle were the three lowest contributors to 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 generates approximately 95% of its sales from its automotive segment and 5% from its energy generation and storage segment. From a geographic standpoint, the US and China are the company's two largest markets, accounting for approximately 50% and 25% of sales, respectively, while the rest of the world collectively accounts for approximately 25%.

  A fund holding since inception, Tesla reported quarterly financial results that were below consensus expectations for revenues and profitability, but reflected strong execution and continued market share gains. 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. Revenue of $23 billion rose 9% year over year and represented the second highest total in corporate history after the previous 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 two years. 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. We believe that increased volumes will offset near-term margin pressure over time. 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. Despite a substantial year-over-year decline in operating margins due to lower average selling prices, new factories that are not yet operating at full efficiency, higher raw materials and logistics costs, and strong investments in research and development to support the Cybertruck and its AI robot, Tesla's operating margin trails only Ferrari and exceeds all other scaled auto manufacturers. We believe these impacts are temporary and that over the long-term Tesla can generate operating margins in the mid-20% range. Despite an automotive industry slowdown, Tesla has continued to show market share gains as a percentage of total light duty vehicles. 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 almost 10% of new light vehicle sales in 2022, with penetration rates ranging from mid-single digits in North America to low double-digits in Western Europe and almost 20% 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 the global leader in battery EV sales, with approximately

20% unit share, 25% revenue share, and a much higher share of industry profitability in 2022. While we expect competition to increase substantially, we believe Tesla's superior brand, focus, technology leadership, and strong ongoing consumer demand will enable the company to maintain a leading global market position. Tesla recently announced an enhanced autopilot feature for customers who only want self-driving functionality on highways. While we believe most consumers will adopt full self-driving (FSD) functionality over the long term, at 50% of the cost of FSD, we believe the enhanced autopilot option will accelerate uptake of its software offerings, and the company now has over 400,000 customers in its FSD beta program who have driven greater than 500 million miles cumulatively. Both 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 0% of profits today to approximately 25%, will contribute to expanding the company's already leading 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.

- Founded in 1998, **Illumina** is the industry leader in fast-growing field of sequencing for genetic and genomic analysis, supporting research, clinical, and consumer genetics applications. The company's customers include leading genomic research centers, academic institutions, government laboratories, hospitals, pharmaceutical and biotechnology companies, commercial molecular diagnostic laboratories, and consumer genomics companies. Because genes determine cell function and characteristics, understanding genetic sequencing and variation can provide valuable information in fields ranging from disease treatment to crop optimization.

  A fund holding since inception, Illumina reported disappointing quarterly financial results that were well below our long-term expectations, and once again cut its outlook for full year revenue growth from approximately 1% to a decline of 2% to 3%. While orders for its newest sequencing platform, NovaSeq X, had been strong, they slowed in the most recent quarter as the company observed a lengthening sales cycle among customers facing macroeconomic pressure – which has similarly impacted peers as well. The launch of a new platform typically results in an initial slowdown in revenues as customers exhaust existing inventory while evaluating the new platform. However, we believe the company's acquisition of GRAIL has detracted from near-term focus and returns. GRAIL was founded by Illumina in 2016 and was spun out as a standalone company in 2017, with Illumina retaining an equity interest that represented approximately 15% ownership. The company reacquired GRAIL in August 2021, but uncertainty remained as the company closed the transaction prior to receiving approval from the EU, which has since ordered that the business be divested. In December 2023, Illumina announced it will divest GRAIL and aims to have the terms finalized by the end of second quarter 2024.

  GRAIL is an early leader in asymptomatic cancer screening through liquid biopsies, which utilize Illumina's Next Generation Sequencing technology to detect tumor DNA in the bloodstream before it could otherwise be sampled via a traditional biopsy. While we believed that there was potential upside in GRAIL, our structural investment thesis for Illumina was not premised on a successful completion of the GRAIL acquisition, and GRAIL will remain an important customer for the company. We believe the core Illumina business remains highly attractive on a reward-to-risk basis and remains substantially discounted relative to intrinsic value.

  The GRAIL acquisition also prompted an activist investor campaign which succeeded in ousting the Chairman of the Board in May and later prompted the resignation of CEO Francis deSouza in June. Illumina is in the early stages of a major platform launch while

simultaneously facing more competition than in recent years. Over the last two years, Illumina's share of industry revenue has dropped from an estimated 80% to 77%. These share losses have been most pronounced in China and in the lower-value, mid- and low-throughput portions of the sequencing market. We anticipate Illumina will retain its dominant share in the high-value, high-throughput ends of the market on the strength of its product ecosystem and continue to capture approximately 75% of the sequencing market. In September, the company named Jacob Thaysen, Ph.D. as its new CEO. Thaysen previously served as President of the Life Sciences and Applied Markets Group at Agilent and brings a background in research and development as well as experience operating in genetics and clinical end markets. We met with Thaysen, and our interactions have been positive as we believe he has the requisite skills and vision to reinvigorate the core Illumina franchise. We are encouraged that new management seems committed to redoubling its focus on the significant opportunity in Illumina's core markets and reinvigorating operational execution – which appeared to have diminished over the last several quarters under deSouza. In addition to the activist sponsored candidate, Illumina also added two new board members with significant experience at innovative, market-expanding healthcare businesses that we believe should contribute positively to Illumina's return to growth.

Despite the near-term uncertainty, we believe Illumina remains advantageously positioned in a high-quality industry benefitting from long-term, secular growth. We believe Illumina is at the forefront of a multi-decade transformation that will see genetic analysis incorporated into multiple facets of our lives. While demand today is still predominantly from large life sciences research facilities, over the next decade we believe democratization of gene sequencing technology and greater practical application will result in the equipment becoming ubiquitous in clinical settings as well, with oncology offering the largest market opportunity. We believe Illumina is a dominant competitor whose sequencing technology represents the critical enabling technology that uniquely positions it to capitalize on an approximately $100 billion market opportunity. We believe Illumina's shares 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.

- **Oracle** is a leader in the enterprise software market, with a strong market position in database, infrastructure and application software, and cloud-based software and services. The company's competitive advantages include its large direct sales force, a founder-driven management team that reinvests relentlessly to maintain a differentiated product suite and leading intellectual property portfolio, and a large installed base of clients with high switching costs where it consistently achieves client renewal and retention rates in the mid-90% range. We believe Oracle is well positioned to benefit from the continuing growth in data storage and enterprise application software, as well as the shift to cloud-based solutions.

A holding in the fund since inception, Oracle reported quarterly financials that were fundamentally solid and in-line with management guidance for revenues and better than consensus expectations for operating margins and earnings per share (EPS). However, shares may have responded negatively to a deceleration in cloud revenue growth, due in part to capacity constraints in its data centers. The company is investing significantly to expand its data centers to support strong customer demand for its cloud services. There are no changes to our view of Oracle as a structurally attractive business trading substantially below our estimate of intrinsic value.

For the quarter, total revenue of $12.5 billion rose 5% year over year in constant currency. At $10.8 billion, software sales represented 84% of total revenue and rose 8% year over year, benefitting from 25% growth in its cloud revenue during the quarter. Oracle's infrastructure and cloud services and support business (54% of total software, cloud services and support revenue) grew 12% year over year and continued to show improved

growth relative to the past few years. Revenue drivers included Oracle cloud infrastructure (OCI), which grew by 55% versus the prior-year quarter, and autonomous database growth of 26%. Oracle's applications business (46% of total software, cloud services and support revenue) generated 9% organic growth in constant currency. Driven by 21% growth in its strategic back office applications, which include its Fusion suite of cloud-enabled enterprise software solutions, the company experienced strong growth in several key cloud products such as enterprise resource planning (ERP) and its NetSuite small-business ERP offerings, demonstrating the company's progress in transitioning to a cloud-based model and positioning the company to improve its growth rate over time. While Oracle remains the world leader in its largest business segment, enterprise database software used in customer on-premise IT environments, the company continues to focus on transitioning its business from a traditional on-premise, up-front software licensing and maintenance revenue model to a cloud-computing subscription-based model where software revenue is recognized over the life of the client's contract. While there has been pressure on year-over-year overall revenue comparisons during this transition as up-front license revenue shifts to subscription revenue, we expect this to lead to faster growth over time due to a higher customer lifetime value as the transition progresses. The cloud model also allows Oracle to monetize its services and technology more efficiently and yield savings to the customer.

In Oracle's hardware segment, revenue of $786 million declined 11% year over year, which was above consensus expectations. The hardware business accounted for approximately 6% of total revenue and a smaller percentage of total cash flow. With the ongoing transition to the cloud and faster growth in its larger software businesses, we expect hardware to continue to decline as a percentage of revenue and cash flow. In its services segment (about 11% of revenue), revenue of $1.4 billion rose 2% compared with the same quarter last year.

Even though the company is in the midst of a major business model transition, we believe Oracle's financials remain strong. Adjusted EBIT of $5.5 billion rose 7% versus the prior-year quarter in constant currency. Operating margins expanded approximately 120 basis points to 43%. We expect operating margins will further improve over time as recently acquired Cerner benefits from Oracle's technology and scale. Over the trailing twelve months, Oracle generated $10 billion in free cash flow, which rose 20% year over year and represented 20% of total revenue. Capital expenditures of $6.9 billion remained elevated as Oracle continues to build capacity to support the strong growth in its cloud services, and are expected to increase over the next six months. Following the acquisition of Cerner, the company continues to have a high degree of financial leverage, with long-term debt to capital of 89%. However, given its persistently strong cash flow and resulting debt servicing capability, we believe the balance sheet remains solid and expect to the company to focus on decreasing leverage in the near to immediate term. We believe Oracle's stock price embeds free cash flow growth assumptions that are well below our long-term forecast. As a result, we believe its shares are selling at a significant discount to our estimate of intrinsic value and offer 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, consumer discretionary, financials, and healthcare sectors. We were underweight in the information technology, industrials, and consumer staples sectors. We held no positions in the real estate, materials, energy, or utilities 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 annualized strategy turnover is approximately 4.9% since the inception of the ETF on June 29, 2023. The overall portfolio discount to intrinsic value was approximately 48.0% as of December 31, 2023.

About Risk

The fund is new with a limited operating history. **General Risk: Exchange-Traded Funds (ETFs)** trade like stocks, are subject to investment risk, and will fluctuate in market value. Unlike mutual funds, ETF shares are not individually redeemable directly with the Fund, and are bought and sold on the secondary market at market price, which may be higher or lower than the ETF's net asset value (NAV). Transactions in shares of ETFs will result in brokerage commissions, which will reduce returns. **Active ETF: Unlike typical exchange-traded funds,** there are no indexes that the Fund attempts to track or replicate. Thus, the ability of the Fund to achieve its objectives will depend on the effectiveness of the portfolio manager. There is no assurance that the investment process will consistently lead to successful investing. **Equity Securities Risk:** Equity securities are volatile and can decline significantly in response to broad market and economic conditions. **Growth Stocks Risk:** Growth stocks may be more sensitive to market conditions than other equities as their prices strongly reflect future expectations. **Predatory Trading Practices Risk:** Although the Fund seeks to benefit from keeping its portfolio holdings information secret, market participants may attempt to use the Proxy Portfolio and related Proxy Portfolio Disclosures to identify the Fund's holdings and trading strategy. If successful, this could result in such market participants engaging in predatory trading practices that could harm the Fund and its shareholders. **Proxy Portfolio Structure Risk:** Unlike traditional ETFs that provide daily disclosure of their portfolio holdings, the Fund does not disclose the daily holdings of the Actual Portfolio. Instead, the Fund discloses a Proxy Portfolio that is designed to reflect the economic exposure and risk characteristics of the Fund's Actual Portfolio on any given trading day. Although the Proxy Portfolio and Proxy Portfolio Disclosures are intended to provide Authorized Participants and other market participants with enough information to allow them to engage in effective arbitrage transactions that will keep the market price of the Fund's shares trading at or close to the underlying NAV per share of the Fund, while at the same time enabling them to establish cost-effective hedging strategies to reduce risk, there is a risk that market prices will vary significantly from the underlying NAV of the Fund. **Authorized Participant Concentration Risk:** Only an authorized participant ("Authorized Participant") may engage in creation or redemption transactions directly with the Fund. The Fund has a limited number of institutions that act as Authorized Participants, none of which are or will be obligated to engage in creation or redemption transactions. To the extent that these institutions exit the business or are unable to proceed with creation and/or redemption orders with respect to the Fund and no other Authorized Participant is able to step forward to create or redeem Creation Units, Fund shares may trade at a discount to NAV and possibly face trading halts and/or delisting. The Fund's novel structure may affect the number of entities willing to act as Authorized Participants, and this risk may be exacerbated during times of market stress. **Trading Issues Risk:** Trading in Fund shares on the NYSE Arca may be halted in certain circumstances. If 10% or more of the Fund's Actual Portfolio does not have readily available market quotations, the Fund will promptly request that the NYSE Arca halt trading in the Fund's shares. Such trading halts may have a greater impact on the Fund compared to other ETFs due to its lack of transparency. **Premium/Discount Risk:** The market value of the Fund's shares will fluctuate, in some cases materially, in response to changes in the Fund's NAV, the intraday value of the Fund's holdings, and the relative supply and demand for the Fund's shares on the exchange. There is a risk (which may increase during periods of market disruption or volatility) that market prices for Fund shares will vary significantly from the Fund's NAV. This risk may be greater for the Fund than for traditional ETFs that disclose their full portfolio holdings on a daily basis because the publication of the Proxy Portfolio does not provide the same level of transparency as the publication of the full portfolio by a fully transparent active ETF.

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.

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.

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.

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 800-225-5478 for a prospectus and a summary prospectus, containing this and other information. Read it carefully.

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