LOOMIS | SAYLES

MUTUAL FUND COMMENTARY

DECEMBER 31 2023

International Growth Fund

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]	$31.1 million
Fund AUM	$30.7 million
Share Class	Y
Inception	12/15/2020
Ticker	LIGYX
Benchmark	MSCI ACWI ex USA Index (Net)
CUSIP	543488563
Portfolio Manager	Aziz Hamzaogullari
Manager Since	Inception

[1]Strategy assets are comprised of Loomis Sayles International Growth style accounts.

Portfolio Review

- The fund posted positive returns of 12.90% vs. 9.76% for the MSCI ACWI Ex USA Index (Net), outperforming the benchmark by 3.14% during the quarter. Adyen N.V., MercadoLibre, and Shopify Inc. were the three largest contributors to performance during the quarter. Yum China, Baidu, Inc., and Tencent were the three lowest contributors to performance.
- Stock selection in the financials, healthcare, information technology, and industrials sectors, as well as our allocation to the information technology sector, contributed positively to relative performance. Stock selection in the communication services, consumer staples, and consumer discretionary sectors, as well as our allocations to the consumer discretionary, consumer staples, healthcare, and industrials 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).

Top Ten Holdings (%)

Novo Nordisk A/S	6.9
MercadoLibre, Inc.	6.7
Adyen N.V.	5.6
WiseTech Global Limited	4.4
Tesla, Inc.	3.8
Tencent Holdings Ltd.	3.7
AMBEV S.A.	3.5
Trip.com Group Limited	3.5
SAP SE	3.5
Shopify Inc.	3.4
Total	45.0

MSCI ACWI ex USA Index (Net) *is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed (excluding the USA) and emerging markets. The index is shown with minimum dividend reinvested after deduction of withholding tax.*

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

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION
FUND	12.90	20.81	20.81	-1.40	-	-0.93
BENCHMARK	9.76	15.62	15.62	1.55	-	2.32
EXCESS RETURN	+3.14	+5.19	+5.19	-2.95	-	-3.25

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

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

Gross expense ratio 1.80% (Class Y). Net expense ratio 0.95%. 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 4/30/2024. When an expense cap has not been exceeded, the fund may have similar expense ratios.

Institutional Class shares (Class Y) are available to institutional investors only; minimum initial investment of $100,000.

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, Novartis completed a spinoff of its Sandoz business to shareholders. As a result of our ownership in Novartis, we received an approximately 19 basis point allocation in Sandoz Group.

Contributors

Adyen N.V., MercadoLibre, and Shopify Inc. were the three largest contributors to fund performance.

- **Adyen** is a global merchant acquisition and payment solutions provider based in Amsterdam. Surinamese for "to start over again," the company was founded in 2006 by executives who previously founded Bibit, which was sold to Worldpay in 2004 and became the e-commerce platform for the world's largest merchant acquisition company. Adyen was created to serve as a next-generation, integrated provider of payment solutions to merchants, and today the company supports over 250 payment methods globally across online, mobile, and point-of-sale (POS) transactions for clients that include Facebook, Microsoft, Netflix, and Uber.

  A holding since inception, shares rebounded substantially following the company's brief third quarter update as well as a positive business review during its November analyst day. Adyen reported that third quarter revenue rose 27% in constant currency to €414 million, which represented an acceleration from 19% constant currency growth during the first half of 2023 and was well above consensus expectations. Shares had previously fallen sharply following lower-than-expected results in its prior financial report in August – which we took advantage of to increase our holdings. While we believe the prior report reflected solid fundamentals and continued market share gains, 23% year-over-year growth in North America was below consensus expectations after the company had grown 55% in the prior-year period. Adyen observed merchants prioritizing cost savings over functionality, which it has experienced in prior periods and contributed to heightened competition for digital payment volumes. Growth was further pressured by a slower than desired pace of hiring for its North America sales team given the company's stringent hiring standards – a headwind the company has discussed previously. Despite a smaller-than-desired sales staff, the company remains in an elevated investment cycle and has grown its headcount by over 85% year to date. While positively reflecting the company's long-term focus, the investments in staffing also pressured EBITDA (earnings before interest, taxes, depreciation, and amortization) margins, which declined to 43% in the first half of 2023 from 59% in the prior-year period. As the pace of hiring slows, the company expects to benefit from operating leverage and for EBITDA margins to again exceed 50% within a few years.

  We believe Adyen remains a high quality company with sustainable competitive advantages and secular growth opportunities that are not reflected in its current share price. We believe the secular shift to electronic-based payments from traditional paper-based systems represents the most significant growth driver for Adyen. While Adyen has been growing substantially faster than the leading global acquirers over the past few years, the company still captures only a small percentage of overall industry volumes. We believe a combination of industry- and company-specific factors will enable Adyen to continue to grow at more than twice the rate of growth in the overall payments industry over our long-term investment horizon. We also expect Adyen to benefit from the high incremental margins of its business, contributing to margin expansion and substantial cash flow growth over our forecast period. We believe Adyen's strong growth prospects are not currently reflected in its share price. As a result, we believe the company's shares are trading at a meaningful discount to our estimate of intrinsic value, offering an attractive reward-to-risk opportunity.

- **MercadoLibre** is the largest online commerce platform in Latin America. The company offers its users an ecosystem of six integrated e-commerce services that include its marketplace, payment and fintech solutions, shipping and logistics, advertising, classified listings, and merchant web services. In its most recent fiscal year, commerce and related services accounted for approximately 55% of net revenue, while payments and fintech solutions accounted for approximately 45%. The company operates in 18 countries representing the vast majority of Latin American GDP, and its 148 million active users in 2022 represented over 30% of the region's estimated 480 million total internet users. We believe MercadoLibre benefits from strong and sustainable competitive advantages that include its network and ecosystem, brand, and understanding of local markets that collectively contribute to its leadership position in each market it serves. With continued growth in internet access, increasing availability of credit, and the company's continuing investments to improve the ease and convenience of transacting online, we believe MercadoLibre remains well positioned for sustained growth over the next decade, driven by the secular growth of e-commerce across Latin America.

  A fund holding since inception, MercadoLibre reported strong quarterly financial results that were above consensus expectations and reflected strong growth in revenues, gross merchandise volume (GMV), and payments volume, and the company gained market share in e-commerce, payments, advertising, and financial services. Despite remaining in a period of elevated investment spending, the company also showed strong improvements in operating profits that were materially above consensus expectations, as well strong free cash flow generation. Since 2019, the company's GMV has increased by approximately 2.5 times, reflecting the high value proposition to consumers, and the company continues to invest in providing better selection, price, and service.

  For the quarter, net revenue of $3.8 billion grew by 69% year over year in constant currency. The services provided by MercadoLibre generally fall into two distinct revenue streams. "Commerce" includes MercadoLibre's core e-commerce marketplace and related services and solutions, and accounted for 57% of revenue. "Fintech" accounted for 43% of revenue and includes items such as off-platform payment fees generated through the company's Mercado Pago payments platform, financing fees, and revenues from the sale of mobile point-of-sale (POS) products. Commerce revenue of $2.1 billion rose 76% year over year in constant currency. GMV of $11.4 billion rose approximately 59% year over year on a constant currency basis, driven by strong growth in Argentina, Mexico, and Brazil, where GMV growth was 147%, 34%, and 28%, respectively. While benefiting in part from a highly inflationary environment in Argentina, this solid growth follows GMV growth of 32% in the prior-year quarter, which suggests to us that the accelerated shift to e-commerce is persisting due to the high value proposition to consumers and merchants and the lower penetration rate of e-commerce in Latin America versus other geographies. The company continues to focus on expanding its product categories and deepening its selection. Live listings, one of the company's key performance indicators which demonstrates the broad and growing number of products available through the company's marketplaces, grew 15% to 457 million in the quarter, while the number of active users of MercadoLibre's commerce and fintech businesses increased 36% year over year to 120 million. Fintech revenue of $1.6 billion grew 61% in constant currency, driven primarily by payment processing and fintech solutions as well as credit revenue. Total platform payment volumes settled through Mercado Pago were $47 billion and rose 121% year over year in constant currency. Off-platform payment volumes, which represent processed transactions that occur outside of the company's Marketplace platform, accounted for 74% of total payment volumes and grew 145% year over year, benefiting from mobile POS, QR code payments, and the company's digital accounts business. The company also reported that its emerging asset management business now has $5.5 billion in assets under management, which grew 331% year over year, and the company has originated $3.4 billion through its growing array of credit offerings, which rose 23% year over year.

We believe MercadoLibre continues to have an attractive financial model which continues to be impacted by an elevated investment cycle intended to strengthen the company's ecosystem and long-term competitive positioning. Operating margins during the period of 18% expanded from 11% in the prior-year period and were well above expectations. We believe management has demonstrated its long-term focus and commitment to investing everywhere needed to add value for users, including greater selection, frictionless payment options, and reduced cost and increased speed of delivery. The company also expects to increase its investments in several areas, including first-party sales, an improved loyalty program, and advertising technology. While its elevated investments over the past few years have pressured near-term profits, management remains focused on balancing the investments needed to further improve user experience and extend the company's leadership in e-commerce and payments with maintaining a sustainable and profitable financial model. We believe the current market price embeds expectations for revenue and cash flow growth that are well below our long-term assumptions. As a result, we believe the shares trade at a significant discount to our estimate of intrinsic value and represent a compelling reward-to-risk opportunity.

- **Shopify** is a leading global provider of mission-critical commerce infrastructure that enables retail companies to start, grow, market, and manage a retail business of any size. Shopify's cloud-based platform offers merchants an end-to-end solution that was previously only available to significantly larger businesses. From a single global storefront, the company offers merchants a multi-channel solution through which they can display, manage, market, and sell products across all sales channels, including web and mobile storefronts, physical retail locations, social media, marketplaces, and other retail formats. The platform enables merchants to sell anywhere and in any language, facilitating cross-border commerce for end customers who can shop using their local currencies, languages, domains, and payment methods. Shopify also provides merchants a single, integrated back-end platform through which merchants can manage and source inventory, process orders and payments, fulfill and ship orders, build customer relationships, leverage reporting and analytic tools, and access financing. With a mission to improve commerce and empower merchants to realize their potential by making a complex process simple, the company has effectively created a retail operating system used by over two million merchants in over 170 countries. The company generates approximately 73% of revenues in North America, with Europe, the Middle East and Africa accounting for 16%, Asia-Pacific contributing approximately 10%, and Latin America contributing 1%.

A fund holding since the first quarter of 2022, Shopify reported very strong quarterly results that were above consensus expectations for all key metrics, including gross merchandise volume (GMV), revenue, adjusted operating profit, and free cash flow. Revenue of $1.7 billion rose 25% year over year, despite a 500 basis point headwind from the sale of its logistics business that was included in the prior-year period's results. The company generated $65 billion of GMV on its platform during the quarter, which increased by 22% and represented the fastest growth since the pandemic-driven growth in 2021. This growth rate was also above our estimates of the growth in both e-commerce and overall retail sales, indicating that the company grew its market share during the quarter despite ongoing pressure on consumer discretionary spending. Subscription revenue represented 28% of revenue and grew 29% year over year, driven by merchant additions and an increase in the company's take rate, which rose to 3.05% from 2.96% in the prior-year period – demonstrating the company's pricing power. Merchant solutions represented 72% of revenue and grew 24% year over year, benefiting from strong growth in GMV and greater usage of the company's value-added services. Adjusted operating income of $271 million rose from an operating loss of $45 million in the prior-year period as the company exercised greater discipline around spending and marketing costs. Adjusted operating margins of 16% were well above consensus expectations for 9.7% and -3% in the year-ago period. Positive free cash flow of $276 million was also well above consensus expectations and substantially above an outflow of $148 million in the prior-year quarter.

We believe Shopify's strong and sustainable competitive advantages include its network and ecosystem, scale, brand, and an installed base of clients for whom its mission-critical platform serves as a retail operating system. Shopify's network includes software developers that have built over 10,000 applications that extend the functionality of the company's core commerce solutions, as well as over 40,000 partners such as design and marketing agencies, photographers, and other digital and service professionals and experts that add further solutions and services to merchants. Because merchants wish to partner with a leading platform that offers numerous tools and solutions by partners that are in turn attracted to the platform by the merchants' growth and success, a difficult-to-replicate network effect is created which ultimately increases the value to all participants. Over the past twelve months, Shopify paid out over $560 million to partners that have created apps to benefit its merchant clients. With over two million merchants and almost $200 billion of GMV in 2022, Shopify is the second largest merchant platform in the US behind Amazon. As a function of its scale, the company can provide merchant services including software, payments, capital, shipping, and fulfillment at a cost that only a large merchant could achieve, enabling Shopify's small and mid-sized business (SMB) clients to better compete against larger merchants. The company's scale also allows it to reinvest substantially in the business, all of which is focused on growing its platform and driving success for its merchants. As a result of its embedded nature and centrality to merchants' daily operations and success, switching costs are high, which contributes to high client retention, and merchants tend to expand their relationship with the company over time. Individually and collectively, we believe Shopify's strong and sustainable competitive advantages would be difficult for a competitor to replicate and can become stronger still over time as growth in its ecosystem continues to add value for all participants.

We believe Shopify will benefit from several secular growth drivers, all focused on driving merchant and commerce growth. While most of Shopify's revenue and GMV is linked to e-commerce, we expect omnichannel commerce will also become a growth driver for Shopify. We believe merchants will look to have an integrated software solution for all of their commerce needs, which we expect will benefit Shopify by expanding its addressable market to all retail commerce while simultaneously increasing client stickiness. As a function of strong secular growth drivers and numerous competitive advantages, we believe Shopify can sustain total revenue growth of almost 20% over our long-term investment horizon. While we expect investments to remain elevated in the near-term, over time we believe Shopify will benefit from increased operating expense leverage in all expense categories, including product and development, general and administrative, and sales and marketing. As a result, we expect operating profits and free cash flow to grow faster than revenues over our forecast period, in excess of 20% compounded annually. We believe current market expectations are substantially underestimating the company's multiple long-term secular growth drivers and the strength of the company's business model and competitive positioning. As a result we believe the shares trade at a substantial discount to our estimate of intrinsic value and offer a compelling reward-to-risk opportunity.

Detractors

Yum China, Baidu, Inc., and Tencent were the largest detractors to performance during the quarter.

- **Yum China** is the largest restaurant company in China, operating over 14,000 restaurants primarily under the KFC and Pizza Hut brands. A fund holding since inception, Yum China reported quarterly financial results that that were below consensus expectations, despite including record revenues, operating profits, and net new store openings. The company observed a noticeable slowdown in consumer traffic in September that continued into the fourth quarter as consumer spending softened and more local competitors have returned to the market as China continues to normalize post Covid-19. We believe the financial and operating results reflect the company's continued success in navigating a challenging consumer spending environment. Yum China continues to expand into lower-tier cities while consistently innovating to sustain consumer purchases – especially among its over 460 million loyalty members. We also believe the company has the products and scale to offer increasingly value conscious consumers attractive food options at all price points. With its iconic brands, large and complex supply-chain infrastructure, and real estate procurement expertise, we believe Yum China remains well positioned to benefit from the secular growth of consumer spending on restaurants in China.

Total sales of $2.9 billion reflected system sales that rose 15% year over year. At the company's larger, more-profitable KFC segment, system sales rose 15% in constant currency. KFC same-store sales grew by 4%, in line with our long-run expectation for mid-single-digit same-store-sales growth. The company also continued to open new units, with 355 net new KFC units in the quarter, while maintaining attractive cash payback periods of approximately two years. As of September 30, 2023, KFC operated in approximately 1,900 cities out of more than 3,000 suitable cities and continues to have a long runway for continued expansion.

After a multi-year recovery, Pizza Hut continues to show positive signs, with system sales, same-store sales, and new store openings all growing year over year as a result of strong execution on steps to revitalize the brand. Despite the ongoing impact from Covid on in-restaurant dining, Pizza Hut's economics have improved, and the payback period for its redesigned new units is an attractive three years – which has led to an acceleration of new store openings. During the quarter, system sales rose 13% in constant currency, and same-store sales grew 2%. The company opened 130 net new stores during the quarter, which contributed to 14% year-over-year growth in new units. Pizza Hut currently operates in approximately 700 to 800 cities and also has a substantial growth runway for new store openings.

Yum China continues to have success with its loyalty programs and its delivery initiatives, although delivery has been normalizing of late as the economy moves into the post-pandemic era. The company's loyalty programs grew to over 460 million members from approximately 400 million one year ago. In comparison, Starbucks, considered one of the pioneers in loyalty programs, has approximately 31 million members in North America. Members of Yum China loyalty programs tend to visit more frequently, have larger average ticket sizes, and provide ongoing customer feedback. Yum China estimated that its loyalty members accounted for 65% of sales in the quarter.

Restaurant margins declined quarter over quarter to approximately 17%, management's goal for the full year, due in part to Covid relief benefits in the prior-year quarter as well as increased promotional activities. However, year-to-date margins expanded by almost 300 basis points over the prior-year period and we believe margins may approach 20% over time driven by growing scale and business efficiencies. Overall, we believe the long-term secular growth driver remains intact as food options such as Pizza Hut and KFC become increasingly affordable to an emerging middle class with rising levels of disposable income. We expect this demand will, in turn, drive unit growth in China for both restaurant brands where the per capita penetration is much lower than in developed countries. Beyond its core brands, the company remains focused on addressing new meal occasions and testing new restaurant concepts, including Lavazza which is focused on premium coffee, hotpot chains Little Sheep and Huang Ji Huang, and Taco Bell, which collectively have over 950 locations. We believe current market expectations do not reflect the company's long-term opportunity for increased sales due to unit growth and consumer recovery, as well as the resulting improvement in margins and free cash flow. 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.

- **Baidu** is the leading online search and advertising provider in China. A holding in the fund since inception, Baidu reported fundamentally solid quarterly financial results that were better than consensus expectations for revenue, operating profit, and earnings per share (EPS). However, results remain impacted by cyclical weakness that has weighed on growth in its online marketing and cloud businesses, as well as the company's decision to focus on more profitable segments of its cloud business. We believe Baidu is a high quality company whose sustainable competitive advantages include its strong brand recognition, economies of scale, a powerful network and business ecosystem, and strong distribution. Baidu's brand was rated the 26th most valuable brand in China in 2023 by MillwardBrown's annual BrandZ study.[2] The Baidu family of apps and products, which includes search & feed, video, tools, knowledge and information-centric products, location-based services, and industry-specific verticals, reaches over 1 billion monthly average devices, hundreds of millions of users, millions of developers, and hundreds of thousands of enterprises, illustrating the scale of the platform. Within this application ecosystem, Baidu continues to be driven by its core search and feed app where the company continues to dominate China's internet search market, capturing approximately 70% share of search revenues. While the company is experiencing near-term pressure on its advertising business that is similar to other Chinese internet companies, we believe Baidu's family of apps positions the company to benefit from long-term, secular growth in China online advertising.

  For the quarter, total revenue grew 6% year-over-year to RMB 32.5 billion. Accounting for over 60% of Baidu's total revenue, online marketing services associated with the company's core search business and advertising revenue from iQiyi increased 7% year over year. Growth was driven by the healthcare and travel verticals along with online video growth, and offset in part by weakness in the China e-commerce vertical. Growth also benefited from a 5% increase in monthly average users on the Baidu App, which numbered 663 million during September 2023. The Baidu App is the company's focus for search and personalized news fee services. Baidu is also leveraging its strength in search, knowledge graph, and dialogue to provide its own generative AI solution called ERNIE Bot, which is being incorporated into each of the company's businesses and is expected to increase the effectiveness and return on investment for clients' advertising spending and support sustained revenue growth for Baidu.

  Other revenue, predominantly subscription revenue from iQiyi, Baidu's majority-owned online video site, as well as cloud services revenue and other AI businesses, accounted for almost 40% of total revenue and grew 4% year over year. Growth was driven by iQiyi, which grew its subscription revenue by 19% year over year and saw a 6% increase in daily subscribers to 107.5 million. Baidu's cloud business declined 2% year over year, due to weak demand for the company's smart transportation services. Outside of smart transportation, the company reported solid growth in its other cloud businesses and expects cloud growth to rebound to the low-double-digits in the current quarter. Baidu also reported that its focus on profitable growth had resulted in the cloud business achieving profitability on an adjusted basis during the quarter.

  Baidu's adjusted EBIT (earnings before interest and taxes) rose 6% year over year to RMB 7.6 billion. EBIT margins of 22% were flat versus the prior-year period. Baidu core margins of 26% declined 1 percentage point over the prior-year quarter, while a focus on efficiency contributed to a 400 basis point margin expansion in the company's iQiyi business. Free cash flow of RMB 6 billion declined 8% year over year due to a 31% increase in capital expenditures and represented 17% of revenues. The company maintains a strong balance sheet with net cash of approximately $16 billion. We continue to believe Baidu is a high quality company with sustainable competitive advantages that is poised to benefit from secular growth in China online advertising. We believe the assumptions embedded in Baidu's share price show a lack of appreciation for the company's significant long-term growth opportunities and the sustainability of its business model. The shares sell at a significant discount to our estimate of intrinsic value and offer a compelling reward-to-risk opportunity.

[2]Source: Kantar Brandz 2023 Most Valuable Global Brands report.

- **Tencent Holdings** is one of the largest internet services companies in China and globally, offering a wide array of value-added services that span social networking and communication, gaming, media and entertainment, and e-commerce and local services. The company also offers online advertising, cloud services, fintech solutions that include payment and wealth management offerings, and has investments in other related businesses. Founded in 1998, the company's mission is to improve the quality of human life through internet services, and through its platform and ecosystem the company has become a leader in most segments of the internet industry in China.

  A fund holding since inception, Tencent reported quarterly financial results that were fundamentally strong and well above consensus expectations for operating profit, net income, and free cash flow. However, shares declined late in the quarter on new draft regulations from China's gaming regulator that potentially target excessive usage and spending on games as well and other practices that contribute to excessive usage and spending. We continue to monitor the impact of any changes that may be adopted; however, our initial assessment is the proposed changes would not have a material impact on Tencent. Tencent has navigated through various gaming regulatory changes during the past decade by investing in high quality content and IP that fits within the regulatory framework and has established a clear leadership position in the market. Following a period during which a combination of ongoing regulation, weakness in Chinese consumer spending, and the resurgence of Covid impacted a number of the company's key businesses, the company posted a third-straight quarter of double-digit revenue growth for the quarter, with faster growth in the company's advertising and fintech businesses. While the company is operating in a challenging near-term environment, we believe Tencent's leading digital enterprise and consumer platforms remain structurally well positioned for long term growth and benefit from strong and sustainable competitive advantages that stem from Tencent's network, distribution, brand and scale.

  For the quarter, total revenue of renminbi (RMB) 155 billion rose 10% year over year. Tencent reports in four segments; value added services (VAS) (49% of quarterly revenue), fintech and business services (34% of revenue), online advertising (17% of quarterly revenue), and other revenue (1% of quarterly revenue). VAS includes the company's gaming and social networking businesses, which accounted for 60% and 40% of VAS revenues, respectively. VAS total revenues of RMB 76 billion rose 4% year over year, with 7% growth in gaming revenue offsetting a 0.4% decline in social network revenue. Growth in gaming was driven by the company's international segment, which represents approximately 29% of gaming revenue and grew 14% year over year, benefiting from currency benefits as well as the company's PUBG and Valorant franchises. The company's domestic gaming business grew 5%, benefiting from recent launches of Lost Ark and Valorant. In the past few years, the Chinese government enacted regulations which limit the amount of time spent by minors on gaming. Tencent had already proactively introduced tools and restrictions intended to enable parents to monitor and manage minors' time and spending levels, which it estimated represented less than 1% of total time spent on domestic gaming and 1.5% of domestic game sales. Tencent has embraced the regulatory changes, and we don't believe any of the regulations materially impact the company's strong and sustainable competitive advantages. Social network revenue benefited from in-game item sales, growth in music subscriptions, and mini game platform fees that but was offset by declines in music- and game-related live streaming services. The company now has 245 million fee-based subscribers to its video and music services, which increased 5% year over year. The company's Weixin/WeChat platform ended the quarter with 1.34 billion monthly active users, up 2% year over year.

  Fintech and business services, which consists primarily of payments and cloud services, rose 16% year over year to RMB 52 billion. Growth benefited from commercial payment growth, as well a growth in both wealth management revenues. Growth in the company's business services segment benefited from a recent period of cloud restructuring as well as higher e-commerce tech services fees. Online advertising revenues of RMB 26 billion grew

20% year over year, driven by the addition of video accounts as a new revenue stream, growth within its mobile advertising network and Weixin search business. Adjusted operating profit of RMB 55.5 billion rose 36% year over year on margins that expanded 670 basis points to 36%, due primarily to an expansion in gross margins arising from a lower mix of lower-margin music and game-related livestreaming revenue, as well as lower general and administrative spending. Management has responded to the challenging operating environment by increasing its cost focus and rationalizing non-core businesses. In recent quarters, Tencent exited non-core businesses related to online education, e-commerce, and live-streaming gaming, rationalized underperforming businesses including loss-making digital content services and subscale social media products, substantially lowered selling and marketing expenditures on low-return investments, and reduced headcount by almost 5%. The company's actions contributed to improved free cash flow of RMB 51 billion (approximately $7.2 billion), which rose 85% year over year and represented 33% of revenue.

We believe Tencent is one of the best-positioned companies in the China internet services industry. We believe the near-term uncertainty regarding the regulatory and economic environment does not change the long-term fundamentals; as a leading consumer platform provider, we believe the structural expansion of internet users in China will position Tencent to benefit from multiple secular growth drivers, including gaming, media, advertising, payments, and cloud-computing growth. We believe Tencent's strong growth prospects are not currently reflected in its share price. As a result, we believe the company's shares are trading at a significant discount to our estimate of intrinsic value, offering 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 consumer discretionary, consumer staples, healthcare, information technology, and communication services sectors. We were underweight in the financials and industrials sectors. We held no positions in the materials, energy, utilities, or real estate 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 portfolio turnover since the inception of the fund is approximately 6.2%. The overall portfolio discount to intrinsic value was approximately 44.0% as of December 31, 2023.

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. **Growth stocks** may be more sensitive to market conditions than other equities as their prices strongly reflect future expectations. **Investments in small and mid-size companies** can be more volatile than those of larger companies. **Currency** exchange rates between the US dollar and foreign currencies may cause the value of the fund's investments to decline.

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.

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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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