Global Growth ADR Managed Account

Strategy Facts

The strategy 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 strategy's portfolio manager also aims to invest in companies when they trade at a significant discount to the estimate of intrinsic value.

Strategy AUM	$2.2 billion
Inception	12/1/2021
Benchmark	MSCI ACWI Index Net
Portfolio Manager	Aziz Hamzaogullari
Manager Since	Inception

Portfolio Review

- The strategy posted positive returns of 16.20% (gross) and 15.39% (net wrap fee) vs. 11.03% for the MSCI All Country World Index Net, outperforming the benchmark by 5.17% gross during the quarter. Adyen N.V., MercadoLibre, Meta Platforms, Boeing, and Shopify Inc. were the five largest contributors to performance during the quarter. Yum China, Baidu, Inc., Alibaba, Tesla, and Tencent were the five lowest contributors to performance.

- Stock selection in the financials, healthcare, industrials, information technology, communication services, and consumer staples sectors, as well as our allocation to the consumer staples sector, contributed positively to relative performance. Stock allocations in the information technology, communication services, healthcare, consumer discretionary, and financials sectors, detracted from relative performance.

- The strategy 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 (%)

Meta Platforms, Inc.	7.5
MercadoLibre, Inc.	6.5
Amazon.com, Inc.	5.7
Alphabet Inc.	5.0
Boeing Company	4.6
Microsoft Corporation	4.0
Shopify Inc.	3.8
Visa Inc.	3.7
Novartis AG	3.5
Netflix, Inc.	3.4
Total	47.6

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.

Global Growth ADR Managed Account Composite as of December 31, 2023 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN				
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION
PURE GROSS*	16.20	37.73	37.73	-	-	-	2.32
NET WRAP FEE	15.39	33.81	33.81	-	-	-	-0.67
BENCHMARK	11.03	22.20	22.20	-	-	-	1.78

**Pure Gross of fee account returns are time-weighted rates of return that do not reflect the deduction of any trading costs, fees, commissions or expenses. Net of fee account returns are the gross returns less the effective management fee for the measurement period.*

The effective fee for an account is derived by applying the highest applicable fee based on the current standard fee schedule for the Composite. The fee amount is divided by the assets for an annual effective fee. The monthly effective fee is based on 1/12 of the annual effective fee. Net-of-total-wrap-fee results are calculated by taking the highest applicable fee for a managed account that a sponsor would have charged on an annual basis, and deducting one-twelfth of this annual fee from each monthly gross return. On an annual basis, the wrap fee schedule is 3.00%, which includes portfolio management, custody, advisory and other administrative fees.

The Global Growth ADR Managed Account Composite's returns were calculated on a total return basis, and assume the reinvestment of dividends, capital gains and other earnings. Gross returns are net of trading costs. Net of total wrap fee results reflect the deduction of an annual fee of 3%.This managed account fee includes all charges for trading costs, portfolio management, custody and other administrative fees.

Benchmark: MSCI AC World Index Net.

There is no guarantee that the investment objective will be realized or that the strategy will generate positive or excess return. Actual accounts have the potential for loss as well as profit.

Past performance is no guarantee of future results.

Contributors

Adyen N.V., MercadoLibre, Meta Platforms, Boeing, and Shopify Inc. were the five largest contributors to performance during the quarter. We highlight the top three contributors, Adyen N.V., MercadoLibre, and Meta Platforms, below.

- **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 its initial public offering (IPO) in the second quarter of 2018, 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 strategy 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.

- **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 strategy 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. We trimmed our position during the quarter because it exceeded our maximum allowable position size.

Detractors

Yum China, Baidu, Inc., Alibaba, Tesla, and Tencent were the five lowest contributors to performance. We highlight the top three detractors, Yum China, Baidu, Inc., and Alibaba, below.

- **Yum China** is the largest restaurant company in China, operating over 14,000 restaurants primarily under the KFC and Pizza Hut brands. A portfolio 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 in our view.

  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 portfolio 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.[1] 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.

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

- **Alibaba Group** is a leading China e-commerce and consumer-engagement platform provider, operating several businesses across commerce, technology, advertising, digital media and entertainment, logistics, payments, and local services. With over 50% of China's e-commerce transactions estimated to take place through its Taobao and Tmall marketplaces, we believe Alibaba's scale and brand would be difficult-to-replicate.

  A strategy holding since inception, Alibaba reported solid quarterly financial results that were modestly ahead of consensus expectations for revenue, operating profit, and earnings per share. We believe the results showed evidence of improved growth from its collection of businesses, as well as margin and free cash flow improvement. However, shares may have responded negatively to the announcement that the company would not proceed with an anticipated 2024 spin-off of its cloud business in light of uncertainties arising from recent US export restrictions on advanced computing chips. In March 2023, Alibaba announced its intention to reorganize the company into six independent business units, each of which would have its own CEO and Board of Directors and could seek to raise outside capital and potentially pursue its own initial public offering (IPO). The company continues to anticipate an IPO of its Cainiao Smart Logistics business in Hong Kong in 2024, but also decided to postpone a planned IPO for its Freshippo grocery chain while it waits for stronger market conditions.

  As currently constructed, Alibaba meets each of our quality, growth, and valuation criteria and trades at a meaningful discount to our estimate of intrinsic value. We will continue to evaluate whether the current business and any potential spin-offs meet each of our quality, growth, and valuation criteria as more details become available. In the interim, we expect the company to continue to benefit from improving growth and margin expansion as China consumption growth and cloud spending eventually improves.

  For the quarter, revenue growth of 9% year over year was driven by the company's international commerce retail business, which represented 8% of revenue and grew 73%, as

well as logistics and local services, which collectively represented 15% of revenues and grew 25% and 16%, respectively. Despite a modest year-over-year decline in gross merchandise volumes on Taobao and Tmall, the core China commerce business grew 4%, benefiting from faster growth in advertising and first-party sales, but below our estimate for overall China e-commerce growth. In recent quarters the company has emphasized its focus on pursuing healthy, high-quality revenue growth and optimizing its cost structure to improve and sustain strong operating profit and cash flow. During the quarter the company demonstrated the benefits of its efficiency focus through adjusted operating margins that expanded by 260 basis points to 19%. The company announced its intention to continue to increase capital returns to shareholders with the initiation of an annual dividend, as well as $4.7 billion of year-to-date stock repurchases with a further $15 billion of authorized purchases remaining.

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, and healthcare sectors. We were underweight in the financials, information technology, consumer staples, and industrials sectors. We held no positions in the energy, materials, 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 annualized portfolio turnover is approximately 10.0% since the inception of the strategy on January 1, 2016. The overall portfolio discount to intrinsic value was approximately 45.9% as of December 31, 2023.

Important Disclosure

Loomis, Sayles & Co., L.P. ("Loomis Sayles") acts as a discretionary investment manager or non-discretionary model provider in a variety of separately managed account or wrap fee programs (each, an "SMA Program") sponsored by a third party investment adviser, broker-dealer or other financial services firm (a "Sponsor"). When acting as a discretionary investment manager, Loomis Sayles is responsible for implementing trades in SMA Program accounts. When acting as a non-discretionary model provider, Loomis Sayles' responsibility is limited to providing non-discretionary investment recommendations (in the form of a model portfolio) to the SMA Program Sponsor or overlay manager, and the Sponsor or overlay manager may utilize such recommendations in connection with its management of its clients' SMA Program accounts. In such "model-based" SMA Programs ("Model-Based Programs"), it is the Sponsor or overlay manager, and not Loomis Sayles, which serves as the investment manager to, and has trade implementation responsibility for, the Model-Based Program accounts, and may customize each client account according to the reasonable restrictions or customization that a client may request.

Key Risks: *Equity Risk, Market Risk, Non-US Securities Risk, Liquidity Risk. Investing involves risk including possible loss of principal.*

Gross returns are net of trading costs. Net returns are gross returns less wrap fees.

Top and bottom holdings may not be representative of current or future holdings and will evolve over time. The examples above do not represent all securities purchased, sold or recommended for client accounts. They should not be considered specific investment recommendations or representative of other investments made by Loomis Sayles. A list showing the contribution of each holding to the overall performance of the representative account during the measurement period is available upon request.

Holdings analysis is shown for a representative account as supplemental information. Due to systems limitations it is difficult to analyze holdings on a composite basis. This representative account was selected because it closely reflects the Loomis Sayles Global Growth investment strategy. Due to guideline restrictions and other factors, there is some dispersion between the returns of this account and other accounts managed in the Global Growth investment style.

This marketing communication is provided for informational purposes only and should not be construed as investment advice. Any opinions or forecasts contained herein reflect the subjective judgments and assumptions of the authors only and do not necessarily reflect the views of Loomis, Sayles & Company, L.P. Investment recommendations may be inconsistent with these opinions. There is no assurance that developments will transpire as forecasted and actual results will be different. Information, including that obtained from outside sources, is believed to be correct, but Loomis cannot guarantee its accuracy. This information is subject to change at any time without notice.

The Global Growth ADR Managed Account Composite includes all discretionary Managed Accounts with market values greater than $100,000 managed by Loomis Sayles that seek to produce long term excess returns at or below benchmark risk over a full market cycle relative to the MSCI All Country World Index Net, generally within the market capitalization range of the Index, through investment in U.S. Dollar denominated securities and American Depository Receipt (ADR). The Composite inception date is December 1, 2021. The Composite was created in 2021. For additional information on this and other Loomis Sayles strategies, please visit our web site at www.loomissayles.com.

Market conditions are extremely fluid and change frequently.

Diversification does not ensure a profit or guarantee against a 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 strategy will generate positive or excess return. Actual accounts have the potential for loss as well as profit.

Past performance is no guarantee of future results.

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