



Small Cap Value Fund

Fund Facts

OBJECTIVE

Seeks to produce long-term capital growth

Share class	I
Inception	5/13/1991
Ticker	LSSCX
CUSIP	543495816
Benchmark	Russell 2000® Value Index

Russell 2000® Value Index measures the performance of the small cap value segment of the US equity universe. It includes those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000® Value Index is constructed to provide a comprehensive and unbiased barometer for the small cap value segment.

Market Conditions

- US equities delivered robust returns during the final two months of 2023, resulting in double digit gains across most equity categories and styles for the fourth quarter and calendar year. The late-year rally reflected improving sentiment towards markets and the economy, boosted by a growing consensus the US Federal Reserve (“Fed”) would not only stay on pause in regard to interest rate increases, but would soon be cutting rates. Dovish commentary on the part of Federal Reserve Chair Jerome Powell after the December 14 Federal Open Market Committee meeting seemed to confirm this predilection, and the market rally gained steam in the final weeks of the year.
- The fourth quarter rally saw a sharp reversal in market leadership as the strong market return reflected a pivot to a “risk-on” mindset by investors, after more of a defensive posture and “risk-off” leadership over the prior several quarters. For only the second time over the prior eleven quarters, small cap stocks (Russell 2000® Index) outperformed large cap stocks (Russell 1000® Index). The leadership change during the quarter was also reflected in sector performance, with financials and health care outperforming, after materially underperforming for the first nine-months of 2023. Similarly, energy fell to the bottom of sector performance rankings, after significantly outperforming the overall market for the prior nine-months. Finally, many of the top performing small stocks within the Russell 2000® Value Index during the fourth quarter were some of the worst performers earlier in the year while twenty of the top twenty-five performing stocks are currently unprofitable.
- Among small-cap indices, the broad-based Russell 2000® Index returned 14.0% during the quarter, outperforming the Russell 1000® Index return of 12.0%. Small-cap value stocks, as measured by the Russell 2000® Value Index, was the best performing domestic equity market segment, returned 15.3%. Small cap growth stocks trailed the value stocks with a 12.8% return for the Russell 2000® Growth Index.

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

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	10.76	19.45	19.45	10.88	11.75	7.50
BENCHMARK	15.26	14.65	14.65	7.94	10.00	6.76

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 0.93% (Class I). Net expense ratio 0.90%. As of the most recent prospectus, the investment advisor has contractually agreed to waive fees and/or reimburse expenses once the expense cap of the fund has been exceeded. This arrangement is set to expire on 1/31/2024. When an expense cap has not been exceeded, the fund may have similar expense ratios.

The Class I inception date is 5/13/1991. Class I shares are only available to certain institutional investors only; minimum initial investment of \$100,000.



Top Ten Equity Holdings (%)

Weatherford International plc	2.5
Moog Inc.	1.7
Federal Agricultural Mortgage Corporation	1.6
Vontier Corporation	1.6
Clean Harbors, Inc.	1.5
Kadant Inc.	1.5
Noble Corporation plc	1.5
Northern Oil and Gas, Inc.	1.5
Tidewater Inc.	1.3
Wintrust Financial Corporation	1.3
Total	16.1

Portfolio Review

- The fund underperformed its benchmark, the Russell 2000® Value Index, due to lagging sector allocation metrics and a market that rewarded low quality investing, resulting in a challenging environment for relative stock selection returns.

Contributors

- Stock selection within the industrials sector was the largest relative contributor to performance versus the benchmark while an underweight and positive stock selection within the utility sector aided return as well. Among individual stocks Moog Inc., BellRing Brands and Griffon Corporation provided the most significant positive contributions to relative performance during the quarter.
- Moog is a manufacturer of highly engineered and critical components and subsystems for commercial and defense aircraft. The stock had been a long term underperformer due to modest revenue growth and below average margins before the holding was added to the Fund in March 2023. However, a new Chief Operating Officer (hired in late 2021) was appointed Chief Executive in February of 2023, and a new strategy has commenced focused on improving shareholder returns through selected price increases, elimination of unprofitable product lines, and factory consolidation. During the quarter the company reported quarterly results that showed an improvement in operations as well as strong bookings in the defense business.
- BellRing is a leader in the global convenient nutrition category and sells ready-to-drink protein shakes, powders, and bars through club stores, grocery stores, and e-commerce channels. The company outsources its manufacturing through global third-party contract manufacturers. The convenient nutrition category has demonstrated strong revenue growth as consumer interest in healthy eating has increased. BellRing has been able to gain market share by adding manufacturing capacity and introducing new products. The company also generates attractive returns on invested capital through high margins and an “asset-light” business model. Following this recent period of strong revenue and earnings growth, the stock price appreciated and we reduced our position slightly given the stock price performance and valuation expansion.
- Griffon Corporation is a holding company that manufactures garage/commercial doors and consumer products (rakes and fans distributed primarily through home centers). Over the last two years, margins in the garage door business have meaningfully expanded driving a significant increase in cash flow for the company while it restructures its consumer business. In the fourth quarter, the share price rallied amid a continued strong margin outlook for the garage business while the company began to aggressively return capital to shareholders through share repurchases and a special dividend.

Detractors

- Fund performance was negatively impacted during the quarter by a market rally that was led by smaller, lower quality stock as the Fund has been positioned in higher quality stocks with a larger market cap exposure versus the index. The health care sector was the largest detractor from relative performance due to lagging stock selection as the Fund had minimal exposure to biotechnology stocks within the index and a few individual stocks that underperformed. An underweight to the financials sector (and in particular banks) also detracted from relative return as banks shares rallied nearly 30% within the benchmark for the quarter after lagging for most of the calendar year. The Fund’s overweight position in energy was a negative as the sector was the worst performing index sector. From an individual stock perspective, InMode Ltd., ChampionX Corporation and Semtech Corporation detracted the most from performance among individual companies.



- Health care company InMode is a provider of medical aesthetic equipment and devices, with strong proprietary technology in minimally invasive and non-invasive body shaping, fat reduction, and skin tightening. In the latest quarter the company modestly lowered its full-year 2023 earnings guidance resulting from a return to more normal procedure volume seasonality and some slower purchase decisions due to a downshift in aesthetic procedure activity. Higher cost to finance medical equipment and tighter leasing approval standards also dampened near-term platform sales. While underlying macro softness could continue to impact short-term results, we believe the current valuation with 39% of the market cap in cash presents a very favorable reward to risk dynamic.
- ChampionX provides a variety of products and solutions to assist energy companies produce oil and gas. The stock price retraced much of the gains achieved earlier in 2023 and reflected overall weakness in energy stocks during the quarter. Weak sector performance was driven by a sharp decline in oil and gas commodity prices which declined from prior short term peaks achieved near the end of the third quarter. Natural gas prices also declined as inventory levels entering the winter heating season remained at elevated levels, followed by continued supply growth and mild early season weather. The decline in the stock price was further exacerbated when the company reported a modest revenue and earnings shortfall for the third quarter.
- Semtech designs and manufactures a wide range of analog and mixed-signal semiconductors. The company's largest end markets are data centers, telecommunications and a diverse set of industrial manufacturers. During the fourth quarter, the company reported revenue below investors' expectations as Semtech customers choose to reduce inventory instead of placing new orders. We believe that as the company's end markets improve and order patterns begin to normalize, the company is positioned for attractive earnings growth.

Outlook

- We remain committed to identifying inefficiencies in the small-cap market that result in stock prices and valuations that do not accurately reflect our assessment of the underlying value of corporate enterprises. This approach is applied consistently over time, regardless of the current market environment.
- While many forms of inefficiency may exist, we focus on companies that are misunderstood, underfollowed or in the midst of a "special situation" where we believe we can use our strengths in the form of our time horizon, resource deployment or a willingness to solve complex situations. We require fundamentally sound business models, capable management teams and financial stability. Key to our process is identifying distinct, company-specific catalysts on the horizon to sustain, enhance or highlight the fundamental outlook.
- Our goal is to achieve an attractive total return for our investors, while managing to an appropriate level of risk over a market cycle.



About Risk

Equity securities are volatile and can decline significantly in response to broad market and economic conditions. **Smaller company** investments can be more volatile than those of larger companies. **Value** investing carries the risk that a security can continue to be undervalued by the market for long periods of time. **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.

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.

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 800-633-3330 for a prospectus and a summary prospectus, containing this and other information. Read it carefully.

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