Global Growth 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	$2.8 billion
Inception	1/1/2016
Benchmark	MSCI ACWI
Portfolio Manager	Aziz Hamzaogullari
Manager Since	Inception

Portfolio Review

- The strategy posted positive returns of 7.53% (gross) and 6.75% (net wrap fee) vs. 7.53% for the MSCI All Country World Index, matching the benchmark during the second quarter. Alphabet, Facebook, Amazon, Microsoft and a recently purchased healthcare company were the five highest contributors during the quarter. Deere, Boeing, Trip.com, Baidu and Tencent were the five lowest contributors to performance during the quarter.

- Stock selection in the healthcare, consumer staples, communication services and energy sectors as well as our allocation to the financials and information technology sectors contributed positively to relative return. Stock selection in the industrials and consumer discretionary sectors as well as our allocation to the consumer discretionary, industrials and energy 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). 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.

TOP TEN HOLDINGS (%)

Amazon.com, Inc.	6.6
MercadoLibre, Inc.	6.0
Facebook, Inc.	5.3
Alphabet Inc.	5.2
Boeing Company	4.3
Novartis AG	4.1
Adyen NV	4.1
Oracle Corporation	4.0
Visa Inc.	4.0
Microsoft Corporation	3.7
Total	47.4

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 REPRESENTATIVE COMPOSITE PERFORMANCE AS OF JUNE 30, 2021 (%)*

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN				
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION**
GROSS	7.53	10.48	39.21	22.11	20.84	-	19.94
NET WRAP FEE	6.75	8.86	35.20	18.55	17.31	-	16.44
BENCHMARK	7.53	12.56	39.87	15.14	15.20	-	14.05

**Representative performance shows the performance of the Loomis Sayles Global Growth Composite ("Composite"), which has similar investment objectives, policies and strategies as the Loomis Sayles Global Growth Managed Account ("GG MA"). The managed account utilizes ADR's only and will prorate other securities if no ADR is available. The Composite does not contain wrap fee portfolios, and there will be dispersion between the returns of the Composite and those of accounts in GG MA. The Composite data is provided to illustrate the past performance of similar accounts and does not represent the performance of GG MA. The performance of the Composite is not intended as a substitute for GG MA's performance and should not be considered a prediction of the future performance of GG MA. The 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.*

***Composite inception 1/1/2016*

Benchmark: MSCI AC World Index.

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

Alphabet, Facebook, Amazon, Microsoft and a recently purchased healthcare company were the five highest contributors during the quarter. We highlight Alphabet, Facebook and Amazon, below.

- **Alphabet** is a holding company which owns a collection of businesses, the largest and most important of which by far is Google. Google is the global leader in online search and advertising and also offers cloud solutions to businesses and consumers globally, with a goal of organizing the world's information and making it universally accessible and useful. Non-Google businesses comprise approximately 1% of Alphabet revenues and are held in the company's Other Bets segment.

  A holding in the portfolio since inception, Alphabet reported strong quarterly financial results that reflected accelerated revenue growth, expanded adjusted operating margins, and EPS (earnings per share) that more than doubled, all of which were better than consensus expectations. For the quarter, total revenue of $55.3 billion represented a 34% increase year over year in constant currency and was 7% above consensus expectations. Beginning last quarter, the company began presenting results in three segments: Google Services, Google Cloud, and Other Bets. Google Services reported quarterly revenue of $51.2 billion, which rose 32% year over year and represented 93% of total revenue. Advertising revenue accounted for 87% of Google Services revenue and also grew 32% compared with the year-ago quarter, powered by the secular shift of advertising to online and mobile platforms. With growth well above that of traditional advertising, Google continued to take market share. Advertising revenue growth was driven by a solid recovery in the search business, which grew 30% year over year, and 49% growth in YouTube. Both businesses benefited from strong growth in direct response ads, particularly for YouTube, where direct response ads have grown to become what we believe to be one of the largest advertising businesses on YouTube after contributing almost nothing three years earlier. YouTube has also benefited from strong demand from brand advertisers due to its reach and engagement with 2 billion monthly users who spend over 1 billion hours daily on the platform. Non-advertising revenue, which includes Google Play, hardware, and YouTube non-advertising revenues such as subscriptions, represented 13% of Google Services revenues and grew 46% year over year. Growth was driven by YouTube and Google Play.

  Google Cloud reported quarterly revenue of $4 billion, which rose 46% year over year and represented 7% of total revenue. Google's cloud business includes Google Cloud Platform (GCP), the company's infrastructure and platform-as-a-service offerings, and G Suite, which includes the company's software-as-a-service offerings such as Gmail, Docs, Drive, and Calendar. Cloud growth was led by GCP, which grew well above the overall cloud business. The segment generated an operating loss of $974 billion on EBIT (earnings before interest and taxes) margins of -24%, which improved from -62% in the prior-year period. The operating loss reflects massive up-front investments that the company is making to drive long-term growth in advance of revenue. Significant areas of investment include a direct sales force that has tripled over the past few years and substantial expansion of distribution via partners, large investments in its product offerings that are being tailored for six industry verticals, and expansion of network computing capacity to serve customers around the world. We believe Google's key revenue drivers of mobile search, YouTube, programmatic advertising, and an emerging cloud business that is growing approximately three-times faster than the core search business, each continue to benefit from secular drivers including increased mobility, video advertising, better use of advertising technology to drive performance, and increased penetration of public cloud services. Alphabet's Other

Bets segment reported revenue of $198 million that increased 47% in the quarter and represented 0.4% of total revenues. Many of these businesses are still early stage and results are volatile on a quarterly basis. Revenue in this segment is currently driven by Fiber and Verily.

Alphabet continues to have a high-quality financial profile and strong financial position. The company reported gross margins of 56% that rose 250 basis points year over year, due to improvement in traffic acquisition costs and lower other cost of goods sold. Adjusted operating margins of 36% rose approximately 1,200 basis points compared with the year-ago quarter, benefiting from operating leverage in all expense items. Google's attractive financial model generates strong free cash flow and earns high returns on invested capital, enabling it to reinvest significantly in its business. Over the past five years, Google has invested over $100 billion in R&D, an amount very few other companies could replicate. In the quarter, Alphabet generated free cash flow of $13 billion that rose 145% and represented 24% of gross revenue. Capital expenditures decreased by 1% year over year to $6 billion and represented 11% of gross revenue. The company's capital expenditures continue to focus on infrastructure spending required to support growth, including servers, data centers, and office facilities.

We believe market expectations underestimate Alphabet's long-term sustainable growth rate. Therefore, we believe the company is selling at a significant discount to our estimate of intrinsic value and offers a compelling reward-to-risk opportunity.

- **Facebook** is an online social networking platform that allows people to connect, share, and interact with friends and communities. The Facebook platform allows message exchange, photo and video sharing, and common-interest user groups, and the company also owns leading global social and messaging applications Instagram, Messenger, and WhatsApp. A strategy holding since its initial public offering (IPO) in the second quarter of 2012, Facebook reported quarterly financials that were strong and above consensus expectations for revenue, EBIT (earnings before interest and taxes), and EPS (earnings per share). In late June, the company also won dismissal of lawsuits brought by the Federal Trade Commission (FTC) and over 40 states alleging anti-competitive practices that included the company's 2012 and 2014 acquisitions of Instagram and WhatsApp. The FTC still has the opportunity to refile an amended complaint within 30 days. We continue to monitor these and other regulatory changes for any potential structural impact to our investment thesis or Facebook's market share or growth prospects. We continue to believe management's decisions and actions illustrate its commitment to preserve platform integrity and to sustain Facebook's leadership and long-term growth through ongoing innovation and its focus on the future of social media through secure and private messaging.

  For the quarter, revenue grew 48% year over year in constant currency to $26 billion, with advertising revenue accounting for 97% of total revenue. User data, coupled with the scale and frequency of engagement, allows Facebook 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 10% to 2.85 billion global users, while daily active users grew 8% to 1.9 billion. As a result, engagement, as measured by the percentage of daily active users, declined 80 basis points year over year to 66.0%. Across its family of apps – Facebook, Messenger, WhatsApp and Instagram – Facebook now reaches over 3.45 billion consumers monthly, approximately 2.7 billion of which are daily users. Users outside of North America account for 2.5 billion or 91% of Facebook's global user base, while the US and Canada accounted for 9%, or 259 million users. As users grow, more advertisers come to the platform. Facebook now has 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 $9.30 rose 33% year over year, led by 40% growth in monetization in North America and 46% growth in Europe. Quarterly ARPU ranged from $48 per user in North America to approximately $3 per user in the company's rest of world (ROW) category. Since 2012, annual monetization per user has increased globally from $5 per user to over $32 in 2020, a compounded annual growth rate of 26%, which we believe is a secular trend that reflects Facebook's strong pricing power and ability to monetize its global user base.

We believe Facebook continues to have an attractive financial profile. Quarterly EBIT of $11.4 billion rose 93% year over year and was 42% above consensus expectations. EBIT margins of 43% expanded 100 basis points year over year as the company benefited from operating leverage in R&D, sales and marketing, and general and administrative expenses. Free cash flow of $7.8 billion rose 30% versus the prior-year quarter and represented 31% of revenue. Capex of $4.4 billion moderated but remained elevated at 17% of revenue. Capex continues to be focused on investments in servers and data centers that should support future growth for the company, as well as office facilities and network infrastructure. During the year Facebook repurchased $1.4 billion of its shares.

We believe Facebook is 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. While management previously expressed some uncertainty for growth in the second half of 2021 stemming from anticipated privacy restrictions from Apple and potential regulatory restrictions in Europe, we expect that corporations 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 its market share from 5% currently to approximately 10% of the total global advertising market over our investment time horizon. We also believe that the expectations embedded in Facebook'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 high-teens 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.

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

A portfolio holding since strategy inception, Amazon reported strong quarterly financial results that included revenue growth and operating profit that were both well above management guidance and consensus expectations. The company also provided revenue guidance for the current quarter that was above expectations, while guidance for operating profit was below expectations. In May, Amazon announced it had reached an agreement to acquire entertainment company MGM for $8.45 billion. MGM will bring Amazon a strong content catalog that includes over 4,000 films and 17,000 TV shows, developed over almost 100 years of filmmaking. While MGM would represent a small portion of Amazon's revenue and operating profit (0.4% and 0.5% of 2020 revenue and operating profit, respectively), we believe it represents a continued investment in its core e-commerce and growing advertising businesses. Amazon's investment in Prime Video has been an important tool in acquiring and retaining subscribers to its Prime service, which has been a key driver to its core e-commerce business. Amazon recently reported that it had 175 million subscribers to its Prime Video service, which represents almost 90% of the company's more than 200 million Prime subscribers globally. The high engagement of Prime subscribers with Prime Video is also reflected by increasing hours spent on Prime Video, with hours spent increasing 70% year over year as of the end of the first quarter. Amazon indicated that it plans to provide greater consumer access to MGM's deep content library through its network and will work with MGM to further leverage its library to create new offerings. We believe Amazon is one of the best-positioned companies in e-commerce and enterprise IT – in each case addressing large, underpenetrated markets that benefit from secular growth that is still in its early stages. In both of its core markets, we believe Amazon possesses strong and sustainable competitive advantages that would be difficult for competitors to replicate. We will continue to carefully monitor and assess the company's progress for any impact to our investment thesis.

For the quarter, net sales of $108.5 billion increased 44% year over year in constant currency. Unit growth also remained strong at 44% year over year, in line with the prior quarter but up from a range of approximately 10%-to-32% growth in the quarters preceding the pandemic. E-commerce and related revenue, including third-party services, advertising, and retail subscription services such as Prime membership and digital media subscriptions, accounted for approximately 84% of total net sales and growth accelerated to 50% year over year. In particular, the company's advertising business grew in excess of 70%, which we estimate was more than twice as fast as the growth in online advertising and ten-times as fast as advertising as a whole. Amazon's solid results were also above our estimate of both US e-commerce and global retail sales growth, indicating that Amazon continued to gain market share. North America accounted for approximately 67% of e-commerce and physical store sales, while Amazon's international segment contributed approximately 33%. Comprising 12% of total net sales at $13.5 billion, AWS revenue growth accelerated to 32% in constant currency compared with the year-ago quarter, significantly faster than our estimate for global enterprise IT spending. Amazon is the world's largest cloud vendor, almost two times the size of next largest competitor Microsoft as of year-end 2020, and as large as the next four competitors combined.

Amazon's sales mix has been shifting over the past few years to higher-margin product categories such as third-party e-commerce sales, AWS, and advertising. Gross margins for the quarter rose 120 basis points year over year to 43%. Overall, Amazon reported adjusted operating income of $11.2 billion, up 94% compared with the year-ago quarter. Overall operating margins rose 270 basis points from the year-ago quarter to 10.3%, benefiting from a decline in marketing costs as well as lower technology and content expenses as a percentage of sales. From a segment standpoint, North America generated operating income of $3.5 billion, up 163% year over year, and operating margins of 5.4% improved by 250 basis points year over year. Despite being in heavy investment mode, Amazon's international segment generated an operating profit margin of 4%, which improved substantially from -2% in the prior-year period and represented the segment's fourth consecutive quarterly profit after generating losses for the prior five years due to substantial investment expenses. AWS grew operating income by 35% to $4.2 billion, with operating margins of 31% that rose 70 basis points versus the year-ago quarter. Over the trailing twelve months, Amazon's free cash flow of $26.4 billion increased 9% compared with the prior-year period.

On a global basis, e-commerce represents approximately 14% of an estimated $13 trillion of global retail sales outside of China, where Amazon does not have a substantial presence. We estimate that Amazon generated approximately $450 billion in gross merchandise volume (GMV) in 2020, which would represent market share of total e-commerce across these markets in the high-20% range and approximately 3.5% of total retail sales. We believe a long-term, secular shift from traditional brick-and-mortar retail to e-commerce is still in its early stages and that e-commerce will come to represent a significantly higher portion of the global retail market. We believe Amazon's structural operational advantages, network effect, and relentless focus on customer service position the company to grow faster and more efficiently than its traditional or online retail competitors. We also believe AWS is well positioned in the nascent and underpenetrated cloud-computing services market. We estimate the segment can realize high-teens compounded annual revenue growth with operating margins improving to the mid-30% range. As a result, we believe the long-term operating profit potential of AWS can approach 50% or more of the company's core retail opportunity. Over our investment time horizon, we believe Amazon can sustain mid-teens revenue growth and faster growth in operating profits and free cash flow that is not currently reflected in the share price. As a result, we believe the company is selling at a significant discount to our estimate of intrinsic value and offers a compelling reward-to-risk opportunity.

Detractors

Deere, Boeing, Trip.com, Baidu and Tencent were the five lowest contributors to performance during the quarter. We highlight Deere, Boeing and Trip.com, below.

- **Deere & Company**, founded over 100 years ago, manufactures and distributes worldwide a full line of equipment used in agriculture, construction, forestry, and turf care. The company also manufactures value-added components such as engines and precision agriculture tools and provides credit services to finance sales and leases of Deere equipment. A portfolio holding since inception, Deere was among the biggest detractors from performance during the quarter, after being among the top contributors in the first quarter and for the prior twelve months. The company reported quarterly financial results that were substantially above consensus expectations and raised its outlook for the remainder of the year. Results reflected strong global agricultural fundamentals, including grain prices that are at their highest levels since the prior cycle peak around 2012, and the company posted strong pricing gains and record margins. Pressure on the share price may reflect investors' fear that the company is delivering peak results. However, we believe they represent the beginning of a multi-year up cycle. While agricultural equipment is expected to see strong growth in demand in 2021, volumes have been near trough levels for the last five years. Compared to the prior peak, average equipment age is at its highest in over 20 years, new and used inventories are near all-time lows, farmer incomes are expected to be higher, land values are also higher, and large agricultural equipment demand remains significantly below peak levels – all of which are conducive to above-average volume growth. The company's order book is already full for 2021, and Deere intends to open its 2022 order book earlier than usual. We believe Deere's market leadership, superior technology, and demonstrated pricing power leave it well positioned over our long-term investment horizon, and we believe continued adoption of its growing precision agricultural offerings, including subscription-based offerings, will lower cyclicality and enable the company to realize sustainably higher margins.

Deere's brand is synonymous with high quality among generations of North American farmers where the company has consistently captured in excess of 50% market share and is approximately twice the size of its next largest competitor. Scale allows the company to invest more in research and development than any other competitor, enabling it to bring innovative and high-quality products to markets across a number of mission critical functions. With approximately 1,500 exclusive dealers of its agricultural equipment, which also tend to be larger, better capitalized, and more sophisticated than peers, Deere's distribution network in North America is unmatched, a difficult-to-replicate advantage that enables it to ensure equipment uptime during the small windows for planting and harvesting. Deere is also among the leaders in Europe, the world's largest agricultural market, as well as in the faster-growing Latin American market. The company's secular growth driver is the global growth in agricultural equipment demand, fueled by the steady, long-term increase in global demand for grains from a growing population with increasing affluence. The global population is expected to increase by approximately one-third by 2050, with demand for food expected to double over the same period. With no meaningful increase in arable land expected over this period, improved farm utilization through consolidation and technology and mechanization of the sort provided by Deere will be critical to meeting global demand.

For the quarter, Deere reported total revenue of $12.1 billion that rose 30% year-over-year and was strong relative to expectations. Equipment sales were $11 billion for the quarter, up 34% year over year, while financial services and other revenue of $1.1 billion rose 3%. The company's agriculture and turf segment constituted approximately 72% of equipment sales and reported quarterly revenue of $7.9 billion, up 33% year over year. In 2020, the company launched a new operating model centered around production systems as opposed to products. As part of that initiative, the company separated its agriculture and turf business into two divisions; the production & precision agriculture division is focused on its large agricultural products and vertically integrated precision agriculture solutions, while the other division includes small agriculture & turf products. Production and precision agriculture accounted for 57% of segment revenues and rose 35% year over year. In the company's primary market for large agricultural equipment, the segment benefited from 33% industry-wide growth in demand for larger tractors (over 100 horsepower) in North America, and strong 9% growth in pricing. Demand for its smaller agricultural equipment remained strong as the pandemic drove an increase in projects for homeowners and hobby farmers, leading to tighter inventory levels. On an industry-wide basis, North American demand for smaller tractors (under 100 horsepower) rose by an estimated 45% year over year. Collectively, the segment realized 8% growth in pricing due to currency-related price adjustments in international markets, higher pricing on new product launches, and lowered need for Deere to conduct promotional activity. With agricultural fundamentals improving across the world, the company again raised its 2021 guidance across all regions. Segment operating profit of $1.7 billion rose over 100% year over year and operating margins expanded 7.6 percentage points to a record 20.9%. Margins benefited primarily from pricing gains, but also product volume and mix.

The company's construction and forestry segment constituted approximately 28% of equipment sales and reported quarterly revenue of $3.1 billion, up 36.5% year over year. Strength in the housing market and a recovery in the oil and gas sector contributed to volume growth and a 4.5% gain in pricing. Segment operating profit of $489 million rose 174% year over year and quarterly operating margins expanded by 800 basis points to 15.9%, due to the increase in volume, positive product mix, pricing gains, and $85 million of restructuring charges in the prior-year quarter. Overall, Deere reported a 103% year-over-year increase in EBIT (earnings before interest and taxes) to $2.6 billion, and record margins of 21.4% that expanded 770 basis points versus the prior-year quarter.

Deere has continued to execute well in what has been a challenging environment for its primary end market. The company has dominant market share in major markets, a significant technology lead and, while there are greater efficiencies yet to be achieved, the benefits of its productivity initiatives over the past few years have become visible despite volumes for large agricultural equipment that until recently have remained below mid-cycle levels. We believe the current market price embeds expectations for key revenue and cash flow growth drivers that are below our long-term assumptions. As a result, we believe the company is selling at a discount to our estimate of intrinsic value.

- Founded in 1916, **Boeing** is a global leader in the commercial and defense aerospace industries. The company manufactures commercial aircraft for passenger and cargo traffic as well as manned and unmanned military aircraft, missile and defense systems, satellites and launch systems, and other space and security systems. The company operates primarily through three segments: commercial airplanes (historically around 60% of revenues), defense, space and security (historically 20-25% of revenues), and global services (historically 15-20% of revenues). Along with Airbus, Boeing is part of a global duopoly that accounts for almost all commercial planes sold with greater than 125 seats – the largest market segment. The company serves customers in over 150 countries and non-US sales typically account for greater than 40% of total revenues.

  A new purchase in April of 2020, Boeing reported quarterly financial results that were disappointing and missed expectations on several key metrics. Boeing's financial results remain significantly impacted by the decline in global air travel due to Covid-19. As an indicator, travel demand in February 2021, measured by revenue passenger kilometer (RPK), which represents distance flown by paying passengers, remained 75% below the same month in 2019. While domestic travel had begun to improve in the second half of 2020, a rise in Covid-19 cases around the world has dampened the recovery, and international travel, which accounted for approximately two-thirds of RPK in 2019, remains down almost 90%. Execution issues also continue to create near-term headwinds for the company. In December, Boeing received an airworthiness certificate from the FAA, allowing the 737 MAX to fly again in the US after being grounded globally in March of 2019. A few other countries followed suit within days of the FAA's decision, and in late-January the company received approval to fly in Europe. The company has now been approved to return to service in most major western regions, and the company expected more global approvals during the first half of 2021. However, in April, the company identified issues with electrical wiring that again grounded part of the fleet and halted deliveries. We believe these types of developments are fairly common in the industry for both Boeing and Airbus and do not believe they have any material impact on long-term fundamentals. The fix was simple and flights have since resumed, along with deliveries of the estimated 400 737 MAX planes in inventory. However, the issue may have contributed to near-term investor uncertainty around execution. The company also has approximately 100 787s for which deliveries were halted in October to address a micro fracture in the body of the aircraft, before resuming in February. Boeing expects to deliver about half of the 737s in inventory during 2021, and a majority of the 787s. We estimate that Boeing has approximately $44 billion of aircraft currently in inventory, which will generate substantial revenue and cash flow as they are likely delivered over the next 12-to-24 months. As of March quarter-end, the backlog of $364 billion, or approximately 4,100 aircraft, was down 17% year over year, but rose sequentially for the first time in over two years with notable orders from Southwest, United Airlines, and Alaska Airlines. At the end of June, United Airlines announced its largest-ever order, including 200 737 MAX planes, which we believe represents a strong endorsement of the plane's value.

During its annual general meeting in April, Boeing announced that it was extending the mandatory retirement age for CEO Dave Calhoun (age 64) to 70 from 65, which otherwise would have forced his retirement after only two years. Calhoun, a member of Boeing's Board of Directors since 2009 and Chairman since 2019, was appointed CEO in January 2020 following the missteps surrounding the grounding of the 737 MAX. The company also announced that Greg Smith, who served as CFO since 2012, would be retiring from the company. While the timing of Mr. Smith's departure is not ideal, we believe Boeing has taken prudent measures to ensure necessary liquidity even if travel demand takes longer to recover, and we don't view his departure as cause for further concern. The company also adopted a new compensation scheme for the CEO, which we view very favorably and is consistent with suggestions we have made to the board. Recognizing the long product cycles inherent in the business, starting in 2021, the RSU (restricted stock unit) component of Mr. Calhoun's long-term compensation will be paid over 10 years following his departure as CEO, while the balance of long-term compensation will consist of premium-priced stock options which the CEO may exercise but not sell while he remains as CEO.

The Covid-19 outbreak has prompted a record decline in air travel, the growth of which is the biggest driver of demand for new aircraft, and materially impacted Boeing's airline industry customers. Travel demand, measured by RPK, is estimated to have declined by approximately two-thirds in 2020 vs. 2019. We believe the impact of Covid-19, along with the 2019 grounding of the 737 MAX, the fourth generation of its most profitable airplane model, represent temporary, not structural, issues that created the opportunity to initiate our position. Since 1980, RPK has grown at a 5.3% compounded annual rate, and had been negative on just three prior occasions: during the 1991 Gulf War, following 9/11, and in 2009 after the financial crisis. While 2020 represented the fourth, and by far the largest, such occasion due to Covid-19, RPK has historically grown at approximately 1.5-times global GDP, which we expect will continue. While it may be at least a few years before travel returns to 2019 levels, over our long-term investment horizon we believe demand for global air travel will continue to grow at a mid-single-digit rate. More importantly, we believe that, as with many other cyclical growth businesses we successfully purchased in prior downturns, it is not the exact timing of the recovery but rather the margin of safety that is created between the expectations embedded by the marketplace and what we believe will happen directionally over the long term that matters. Despite recent issues with Covid-19 and the grounding of the 737 MAX, we believe Boeing is one of only two companies globally which possess the requisite expertise and scale to profitably serve the global demand for commercial aircraft, and that its strong and sustainable competitive advantages would be very difficult to replicate.

Cyclical businesses often give rise to investor overreaction during the inevitable peaks and troughs. We believe the current market price is embedding expectations that the company will not return to its 2018 level of deliveries in the next ten years and that margins are structurally impaired – both of which we believe are overly pessimistic versus our long-term expectations. 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.

- China-based **Trip.com** (TCOM), formerly known as Ctrip, is the world's largest global travel platform. Founded in 1999, the company offers a comprehensive, integrated platform on which travelers can make arrangements for lodging, transportation, packaged tours and other related services, as well as providing corporate travel management services. The company provides its services in China through its Ctrip and Qunar platforms and serves non-Chinese customers primarily thorough Trip.com and Skyscanner. China-related travel accounts for over 90% of revenue, but the company also operates in 27 markets and supports 20 different languages. Trip.com also holds equity interest in other leading travel sites, including Tongcheng-Elong, China's third largest online travel agent (OTA), and MakeMyTrip, the largest OTA in India.

  A holding in the portfolio since the first quarter of 2020, Trip.com was among the biggest detractors from performance for the quarter. The company reported solid quarterly financial results that were above consensus expectations for revenues and operating profit, but results were negatively impacted by Chinese travel restrictions in early January and February before rebounding in March. Total quarterly revenue of renminbi (RMB) 4.1 billion declined 13% over the prior-year period, but declined less sharply than the prior quarter and reflected continuing recovery in its China domestic market. In particular, hotel and air ticketing both recovered during March and increased by double digits during the month, while corporate travel revenues increased over 100% versus the prior-year quarter. The company reported that the rebound continued during April and May and that both short distance and long-haul travel within China had fully recovered. However, a rise in Covid-19 cases in Guangdong province resulted in further travel restrictions in June that pressured the share price and will negatively impact second quarter results. While China domestic travel had been showing signs of recovery, the company's international business and domestic packaged trips remained depressed due to Covid-19-related weakness. The company is no longer providing guidance, but management commented that second quarter revenue to date had been up more than 80% year over year at the time of its late-May earnings release, and that accommodations and air bookings in China were up more than 20% versus the same pre-pandemic period in 2019 – which supports our belief that structural growth will resume when the impact of Covid-19 abates.

  Despite the decline in revenues, Trip.com was able to expand gross margins by 70 basis points to 75%. Adjusted operating profit of RMB -495 million improved substantially from RMB -1.2 billion in the prior-year quarter on margins of -12% which rose from -25% in the prior-year period. Despite the substantial impact of Covid-19 on the travel industry, the company continues to have a solid financial position that includes cash and both short and long-term investments of RMB 102 billion, which substantially exceed the company's RMB 65 billion of outstanding debt.

  As the leading global travel platform and largest in China, we believe Trip.com is well positioned to benefit from long-term growth in travel expenditures by consumers and business travelers in China. We believe the impact of Covid-19 on travel is temporary, and that the structural drivers of growth remain intact. Apart from the near-term impact of Covid-19, the company has been reinvesting significantly in the business, depressing operating margins relative to history. As these investments moderate, we believe the company can generate structural operating margins in the low-20% range. We believe the company's share price embeds expectations for key revenue and cash flow metrics that are substantially below our long-term assumptions. As a result, we believe the company's shares are trading at a significant discount to our estimate of intrinsic value and offer a compelling reward-to-risk opportunity.

Outlook

- Our investment process is characterized by bottom-up, fundamental research and a long-term investment time horizon. The nature of the process has led to a lower-turnover portfolio in which sector positioning is the result of stock selection.

- The portfolio ended the quarter with overweight positions in the consumer discretionary, communication services, industrials, information technology, healthcare and consumer staples sectors and underweight positions in the financials and energy sectors. We did not own positions in the 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 since the strategy's inception was approximately 9.3%. As of June 30, 2021, the overall portfolio discount to intrinsic value was approximately 44.0%.

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.

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 commentary 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.

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