



Small Cap Growth Fund

FUND FACTS

OBJECTIVE

Seeks long-term capital growth from investments in common stocks or other equity securities

Share class	I
Inception	12/31/1996
Ticker	LSSIX
CUSIP	543487854

Market Conditions

- For the first time since the start of the COVID-19 pandemic, the stock market experienced negative returns for the quarter, driven by decelerating economic growth, the delta variant, and concerns about China.
- As is often the case during periods with negative returns, more speculative areas of the market suffered the most.
- Lower-quality companies underperformed their higher-quality counterparts.

Portfolio Review

- The fund outperformed its benchmark, the Russell 2000 Growth Index, primarily due to stock selection in the consumer discretionary, information technology and health care sectors.

Contributors

- On an individual company basis, Globant S.A., Kornit Digital Ltd. and Rapid7 Inc. were the biggest contributors to relative performance.
- Globant has performed well as a key leader in next-generation IT services company due to fast organic growth and substantial upward revisions from recent merger and acquisition moves.
- Kornit Digital has led the secular shift away from traditional methods of printing on fabrics and garments toward digital alternatives, and it introduced a number of new printing

CLASS I PERFORMANCE AS OF SEPTEMBER 30, 2021 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	-2.43	4.51	30.53	12.77	18.25	16.27
BENCHMARK	-5.65	2.82	33.27	11.70	15.34	15.74

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 0.94% (Class I). Net expense ratio 0.94%. 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 1/31/2022. When an expense cap has not been exceeded, the fund may have similar expense ratios.

The Class I inception date is 12/31/1996. Class I shares are only available to certain institutional investors only; minimum initial investment of \$100,000.

TOP TEN EQUITY HOLDINGS (%)

Kornit Digital Ltd.	2.2
SiteOne Landscape Supply, Inc.	2.0
Rapid7 Inc.	1.9
Shutterstock, Inc.	1.7
Novanta Inc.	1.6
Casella Waste Systems, Inc.	1.5
MACOM Technology Solutions Holdings, Inc.	1.5
Varonis Systems, Inc.	1.4
WNS (Holdings) Limited	1.4
Advanced Drainage Systems, Inc.	1.4
Total	16.7

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 depository receipts. Portfolio weight calculations include accrued interest. For current holdings, please visit our website.

machines to the market that drove further demand and widened its competitive advantage versus its peers. With the boom in e-commerce during the pandemic, the demand for Kornit's products has accelerated.

- Rapid7 has been strong for the last year as an emerging leader within cloud cybersecurity for the mid-market, having expanded its suite of solutions. As a result, Rapid7 has seen acceleration in new customer growth, consistently better-than-expected total annual recurring revenue growth, and profit gains coming more quickly than anticipated.

Detractors

- At the sector level, stock selection in consumer staples and relative positioning in real estate and utilities detracted the most from relative performance.
- Among the most significant detractors at the individual stock level were Dicerna Pharmaceuticals Inc., Stoneridge Inc. and Kratos Defense & Security Solutions Inc.
- Dicerna Pharmaceuticals announced mixed trial results in its phase 3 study of a candidate treatment for rare kidney disorders. As a result, the fund sold its position during the quarter.
- Stoneridge underperformed due to the semiconductor shortage that hit the automotive manufacturing industry, and the many supply chain challenges facing most companies also weighed on its returns. While Stoneridge was able to hit its revenue targets due to many new programs it has won, increased costs hurt its bottom line, which weighed on the stock.
- Kratos Defense & Security Solutions has underperformed since hitting all-time highs in early 2021. Supply chain challenges in obtaining the materials needed to meet its build rates have exacerbated general nervousness about future levels of defense funding, and confusion about what the Air Force has said about funding for Kratos' highest-profile and fastest-growing business line has also hurt investor confidence.

Outlook

- As market correlations fall, we see investors placing greater importance on company-specific fundamentals. This, in turn, should lead to earnings growth becoming the primary driver of stock returns.
- The economic outlook remains generally positive. However, uncertainties remain, including more difficult growth comparisons for companies in the coming quarters, continued supply chain disruptions, lingering concerns about COVID-19 variants, and ongoing fiscal and monetary policy uncertainty from Washington and the Federal Reserve.
- Despite these uncertainties, we remain focused on the underlying business fundamentals of our companies. Uncertainty drives markets, and with market correlations low, earnings growth increasing in importance, and small-cap stocks looking ready to catch up to their large-cap counterparts, we believe that the fund is well positioned for the future.

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. **Growth stocks** may be more sensitive to market conditions than other equities, as their prices strongly reflect future expectations. **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.

***Russell 2000® Growth Index** measures the performance of the small cap growth segment of the US equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values. The Russell 2000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the small cap growth segment. Indexes are unmanaged and do not incur fees. It is not possible to invest directly in an index. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.*

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.

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, if available, containing this and other information. Read it carefully.

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