

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

- Despite interim volatility, the stock market continued its upward trend from the fourth quarter of 2018. From the market bottom in late December, the Russell 2000 Growth Index is now up over 29% through the end of the second quarter.
- Despite what has been a very strong start for small-cap stocks, as measured by the broad Russell 2000 Index, they have lagged their large-cap peers significantly during the first half of 2019.
- Growth maintained its outperformance over value during the second quarter, and as a result those companies with faster sales growth outperformed slower growers.

Portfolio Review

- The fund outperformed its benchmark, the Russell 2000 Growth Index, primarily due to stock selection in the financials and industrials sectors.

Contributors

- While stock selection was positive across nearly all sectors, selection in the financials and industrials sectors contributed the most to performance.
- Among individual companies, Goosehead Insurance, Kinsale Capital Group and Generac Holdings were the top contributors to performance.
- Goosehead Insurance reported strong results during the quarter driven by growth in its franchise and corporate business segment, driven in part by better-than-expected commissions.

CLASS I PERFORMANCE (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	5.59	21.58	6.46	18.72	11.15	16.48
BENCHMARK	2.75	20.36	-0.49	14.69	8.63	14.41

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 1/31/2020. 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 (%)

Kinsale Capital Group, Inc	1.9
Insulet Corporation	1.7
WNS (Holdings) Limited	1.7
Pool Corporation	1.6
Grand Canyon Education, Inc	1.5
Albany International Corp.	1.5
Generac Holdings Inc	1.5
InterXion Holding NV	1.5
Wingstop, Inc	1.5
Goosehead Insurance Inc	1.4
Total	15.7

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.

- Insurance company Kinsale Capital was also up during the quarter. Kinsale is the only publicly traded property and casualty insurance company focused on excess and surplus insurance, a specialized business based on insuring against risks standard insurers won't cover. Results were strong in its most recent quarter due to premium growth as the competitive environment becomes more favorable.
- Generator manufacturer Generac was another strong performer. The company reported robust results and raised guidance as residential and commercial demand continue to grow.

Detractors

- The energy sector was the lone sector in which the fund's stock selection detracted.
- The three largest detractors from performance among individual companies were Benefitfocus, Biotelemetry and Myriad Genetics.
- Benefitfocus, a cloud-based benefits software provider, reported disappointing results during the quarter and also saw significant turnover of senior management.
- Biotelemetry, a provider of cardiac monitoring systems, failed to maintain its history of exceeding expectations and increasing guidance due to systems integration hiccups and increased spending.
- Myriad Genetics provides genetics-based diagnostic tools. The company reported revenues that fell short of expectations and issued a disappointing outlook due to uncertainty around one of its key growth drivers.

Outlook

- As we look forward, we continue to be focused on the underlying business trends of our existing holdings and potential new additions to ensure revenue and earnings growth trends can remain intact, which may prove challenging if earnings estimates continue to see downward pressure.
- The financial markets continue to face heightened uncertainty. The US-China trade war has most definitely contributed to this, and if this is resolved there could be a rebound in the broader global economy towards the end of the year. Central bank policy has been a strong influence on markets going back to 2008, and remains the case today. The Fed indicated at its June meeting it would be more inclined towards a policy of monetary easing, setting the stage for potential rate cuts due to expectations of declining global growth. Markets appear to have priced in these rates cuts already, but the ultimate consequences are highly uncertain given the unprecedented nature of current monetary policy worldwide. Volatility remains somewhat subdued, but these macroeconomic and geopolitical events could cause volatility to return.
- While the outlook is uncertain, we will adhere to our process. Our goal, as always, is to deliver a compelling level of positive risk-adjusted returns. Our investment process pursues small-cap growth investing with a low volatility approach. We employ a bottom-up investment process and strive to make active stock selection the primary driver of returns. Each investment idea is thoroughly researched and analyzed from a fundamental perspective. There is a high-quality bias to the companies we own, focusing on characteristics such as business model strength, visibility and predictability of growth drivers and strength of competitive advantage.

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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