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

- The second quarter of 2024 showed divergent returns for the US equity markets as the large cap Russell 1000® Index continued to significantly outperform small cap stocks, continuing a trend that has been in place now for over a year. Small cap equity markets declined for the quarter and was driven by a recent trend of softer economic data and investor concerns regarding mounting headwinds to future economic growth. The outlook has also dimmed for Federal Reserve interest rate cuts against a backdrop of continued higher inflation.
- One key trend continued in the second quarter was the strong performance of stocks benefiting from companies tied to artificial intelligence across all market segments. On the leading side of the small cap market, higher quality was in favor in the quarter as the highest return on equity shares outperformed the lowest and unprofitable companies were the worst performers.
- Within the small cap universe, the second quarter continued the market leadership theme by larger and higher quality companies. Among small-cap indices, the broad-based Russell 2000® Index declined -3.3% during the quarter, underperforming the Russell 1000® Index return of positive 3.6%. Small-cap value stocks, as measured by the Russell 2000® Value Index, declined -3.6% slightly lagging a decline of -2.9% for the Russell 2000® Growth Index.

Portfolio Review

- The Fund outperformed its benchmark, the Russell 2000® Value Index, as the quality fundamental theme continued its market leadership, providing a beneficial environment for the high quality nature of the Fund. The outperformance was driven by strong stock selection as sector allocation was slightly negative for the quarter.

Class I Performance as of June 30, 2024 (%)

	CUMULATIVE TOTAL RETURN		AVERAGE ANNUALIZED RETURN			
	3 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
FUND	-2.56	5.74	14.88	5.58	9.22	7.60
BENCHMARK	-3.64	-0.85	10.90	-0.53	7.07	6.23

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 0.96% (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 1/31/2025. 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	2.6
Moog Inc.	1.9
Vontier Corp	1.7
United States Cellular Corporation	1.5
Tidewater Inc.	1.5
Federal Agricultural Mortgage Corporation	1.5
Tenet Healthcare Corporation	1.5
Wintrust Financial Corporation	1.4
Noble Corporation plc	1.3
Northern Oil and Gas, Inc.	1.3

Contributors

- Within the Fund, overall positive stock selection was responsible for the outperformance, but especially so for the health care, communication services, information technology and energy sectors. Stock selection within the healthcare sector was notable as it contained three of the top five contributing holdings of the fund. Among individual stocks United States Cellular Corp., United Therapeutics Corporation and Tenet Healthcare Corporation provided the most significant positive contributions to relative performance during the quarter.
- US Cellular is the fourth largest provider of cellular phone service in the United States focusing primarily on rural geographies. During the quarter the company provided a positive update to an ongoing strategic review with the announcement that US Cellular has agreed to sell its wireless operations to T-Mobile, unlocking significant value in the share price. Aside from the sale of its wireless unit, US Cellular continues to hold a valuable portfolio of assets including cellular towers, partnerships that pay annual dividends and wireless spectrum. The stock remains in the Fund as the share price may still represent value versus the estimate of the remaining businesses.
- United Therapeutics is a biotechnology company focused on treating rare lung diseases through a number of commercial products. Over the past several years the company has experienced meaningful revenue gains from developing a more convenient and effective version of one of their commercial drugs but the share price had not reflected this growth due to investor concerns over increased competition in one of their key disease products. Management has remained confident in the resiliency of the franchise, consistently exceeded earnings expectations and announced a $1 billion share repurchase program in March of this year. We believe investors are now recognizing the long term opportunities of the company and was reflected in an increased stock price during the quarter.
- Tenet is an owner and operator of healthcare facilities throughout the United States including hospitals, surgery centers, and various special care facilities. During the COVID-19 pandemic, healthcare facilities came under weakness due to a slowdown in utilization, elevated labor cost pressures, and extended duration stays from COVID-19 patients. Since the pandemic, elevated labor expenses have declined for temporary staffing and elective procedures rebounded above pre-pandemic levels. As a result, the share price has positively responded as utilization of healthcare facilities and services increased. In addition, the company has also strategically improved their profitability through investment and growth of higher margin ambulatory surgery centers as well as selling several Tenet hospitals at attractive multiples using the proceeds to pay down debt. We are confident utilization remains stable and the company can benefit from structural shifts to outpatient sites of care for elective surgeries.

Detractors

- Fund detractors for the quarter include an underweight to utilities and financials as they were the top two performing sectors within the index. Stock selection within the industrials and financials sectors also lagged for the quarter. From an individual stock perspective, Vontier Corp., Atkore, Inc. and Alight, Inc. detracted the most from performance among individual companies.
- Vontier was spun-off from its parent in October 2020 and is a global industrial company focused on transportation and mobility, with a portfolio of leading products serving retail and commercial fueling, convenience store retail point of sale, and professional tools and automotive diagnostic technologies. The business has many attractive characteristics, including mid-single digit organic growth potential, solid profit margins and strong free cash flow. After the stock price rallied 31% in first quarter of the year, Vontier shares declined in the second quarter on no material news or company developments. The stock remains attractively valued, and we made no changes to our position during the quarter.

- Atkore is a leading manufacturer of electrical products primarily for the non-residential construction and renovation markets, and safety and infrastructure products for the construction and industrial markets. Key electrical products include conduit, cable, and installation accessories. Building material stocks in general were quite weak during the second quarter of 2024, as inventory destocking continued and pricing softened after significant inflation during the COVID-19 pandemic. Atkore successfully managed through these issues to deliver an upside earnings surprise when reporting the March 2024 quarter, but modestly reduced earnings guidance for the remainder of the fiscal year. While certain end markets such as data center and semiconductor fabrication remain quite strong, other non-residential end markets are growing slower than previously expected. Importantly, management has expressed confidence in their long earnings guidance for next year which implies the stock is currently trading at discounted valuation.
- Alight is a leading human capital solutions company servicing very large institutions and their global workforce and is transitioning to a recurring revenue, higher margin business model through both organic growth and the divestiture of its Payroll and Professional Services segment. The stock underperformed in the quarter due to both a disappointment to first quarter financial performance and a change in the Chief Financial Officer. While an increased urgency for the company to improve execution and forecasting on a quarterly basis exists, we believe the long-term business model is strong and is not reflected in the current discounted valuation. The near-term closing of the announced divestiture along with recent activist involvement in the company should be two positive catalysts for shares.

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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